THE Freeman

IDEAS ON LIBERTY

MAY 1956

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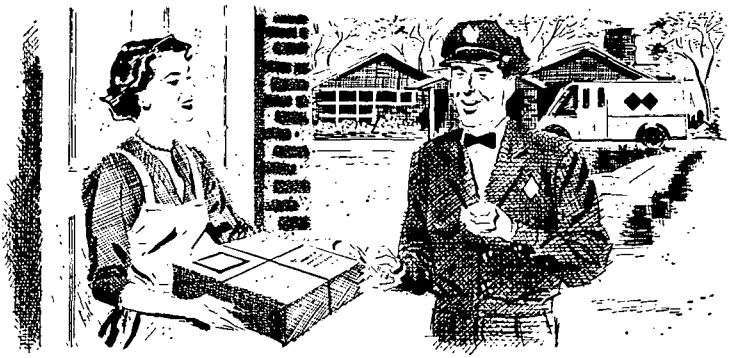

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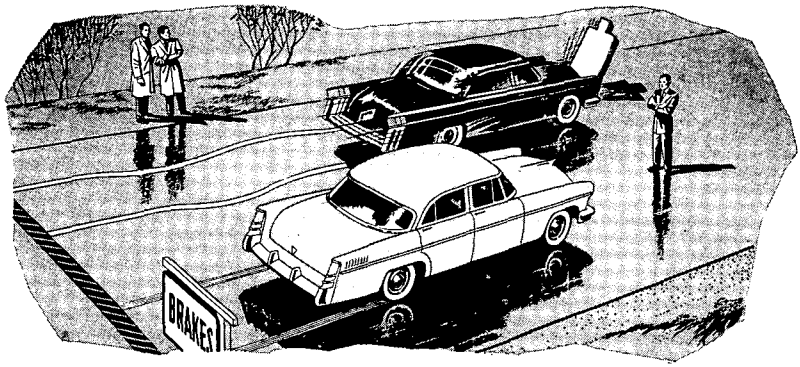

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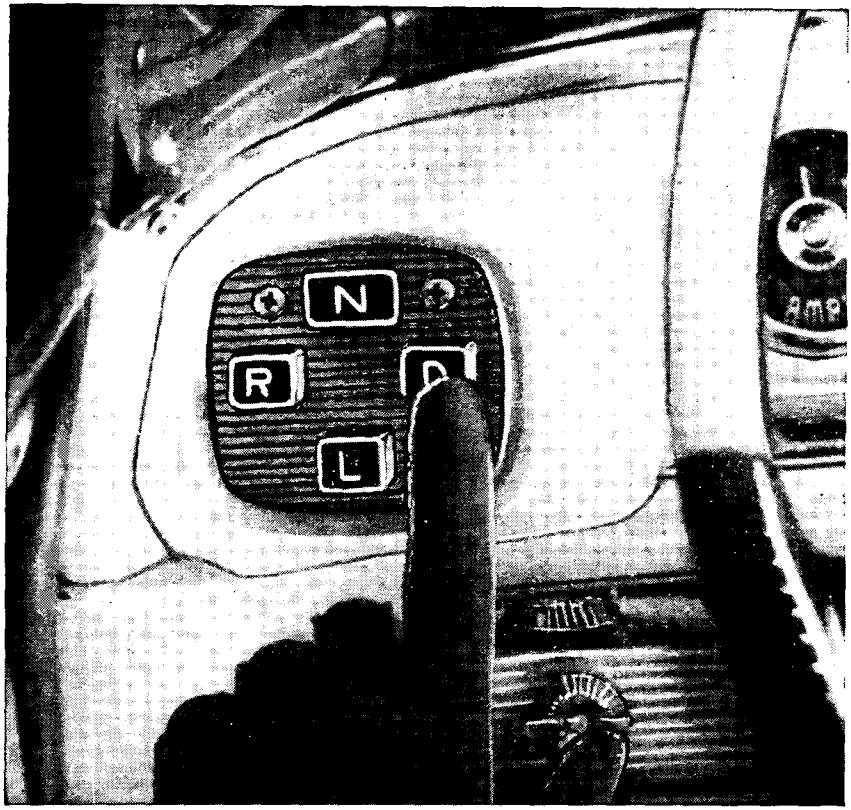

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The First Law of Economics

Anthony M. Reinach

THE ECONOMIC facts of life are many. But the grandfather of them all is the law of demand and supply. If this one law alone were thoroughly understood, it is highly improbable that government interference in the market place would ever again be tolerated. Let's see how this law works in your everyday life:

You own at least one pair of shoes — probably several. Your least expensive pair of shoes may have cost you as little as $5.00. This least expensive pair — the one you can most easily afford — will serve to help clarify the law of demand and supply.

Had this pair been priced at $1.00 or an even more ridiculously low figure, it is quite probable that you would have bought several pairs in anticipation of future needs, or just as a luxury. But had this pair been priced at some exorbitant price like $2,000, you would either be going shoeless, be reduced to making your own shoes, or be keeping your feet protected and comfortable in some other way. At $2,000 per pair, even the wealthy man's wardrobe wouldn't contain many shoes.

Now between $1.00 and $2,000, there is a price at which you will own several pairs, a price at which you will own only one pair, and a price at which you will own no shoes at all. Working down from the top figure of $2,000, let's say that the retailer starts reducing his price a penny at a time — and let's also assume that at each new price you are unable to predict any further reductions. Your active interest in shoes may not be aroused until he gets his price down to somewhere under $100. But at some price under $100, you will say to yourself: "Well, I guess I'd better buy one pair, anyway."

That hypothetical price at which you say, "O.K., I'll take them," may be $87.72. This means that you turned down those shoes when they were offered to you at $87.73. There is a very narrow margin between a sale and no sale. This same thing holds for everybody else who may want shoes, and it is just as true for

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Now available in reprint form is "The Case for Religious Schools." 10 for $1.00; quantity prices on request. Any other article will be supplied in reprint form if there are enough inquiries to justify the cost of printing.

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every other thing that is traded in the market place — yachts, houses, bread, and medical services. Turning the example around, it can be clearly seen that every penny reduction in the price of goods and services permits additional people to enjoy those goods and services, and each cent rise discourages somebody from that enjoyment. Prices, of course, also guide production, a higher price being a stimulant and a lower price a sedative to the producer.

ALL OF US are consumers of literally thousands of goods and services. The items now in your home probably number well into the hundreds. And yet each of us produces only three or four goods or services — or maybe just one. We trade the one that we produce for those thousands of things that make our lives more gratifying. Here's what happens to the consumer in particular, and to trade in general, when the government interferes in the market place:

There was once a time when the Czechoslovakians were the most efficient makers of shoes. They traded their shoes to Americans for automobiles, farm equipment, and other things which we produced more efficiently than they or our competitors. Our own

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shoe manufacturers were therefore faced with converting their production to something wherein they, too, would be competitively productive. But they feared change. So, cloaking their fear in a worthy cause, they sought government "protection." Aid was forthcoming in the form of a tariff on Czech shoes.

Prices of shoes went up. A few wealthy citizens felt that they could no longer afford as many shoes as they once had, and the less wealthy were obliged to own fewer shoes or deprive themselves of something else they may have wanted. Some, who could afford to wear shoes at Czech prices, now chose to go shoeless rather than pay the new "protected" prices.

Although we are mainly concerned with the consumer, it can also be seen that government interference affects others. For example, some marginal retail shoe stores were now forced out of business, and more prosperous stores found themselves less prosperous through loss of trade. The same holds true for the shoe importers, wholesalers, jobbers, and others. The Czechs, of course, have had their shoe market curtailed. And the manufacturers of those items which had been used in trade for the Czech shoes were injured in proportion. This is only part of the picture, but it does serve to illustrate the endless harm generated when government enters the market place.

Take silver as another example. How much more silverware would you own today if there were a free market price for silver?

The examples are endless. The government today is in thousands of market places — directly and indirectly. Indirectly, the government can price an article beyond the reach of millions simply through taxation. The tax on luxury items, such as jewelry and furs, is an excellent example. How many husbands have saved to buy their wives a piece of jewelry only to find that, although they could afford the desired item, they couldn't afford the tax thereon?

The extent of such hindrance to trade is truly enormous when one weighs the total cost of government against the fact that the margin for exchange may be no wider than a penny.

The government can never repeal this basic law of demand and supply — nor its consequences. Its interference in the market place can only increase total costs and prices — and thus prevent your owning and enjoying additional goods and services you want and could afford at free market prices.

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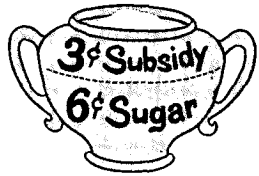
Flies in the Sugar Bowl

If anyone seeks an example of the utter and total failure of government intervention as a substitute for the free-market method of satisfying human wants, let him study the sugar situation in the United States.



Paul L. Poirot

IN STRICT confidence, many an American farmer will tell you he doesn't really believe in all these government farm support programs; he'd rather stand on his own two feet and compete in a free market. But then he'll go on to explain that one of the big reasons why he has to have some government aid is because nonagricultural businesses enjoy tariff protection. And a great many American voters act as if they see logic and justice in such a claim.

But an American grower of sugar cane or sugar beets can't very well use such an argument, for he farms behind a substantial wall of tariff protection, or what amounts to the same thing in the form of quota restrictions against imports of sugar.

It's quite an ancient wall that protects domestic producers of sugar—about as old as the United States. When this nation was young, the wall was primarily a mechanism for collecting revenue — on sugar as on many other imported items.

In those days, maple trees provided much of the domestically produced sugar, accounting for up to 40 million pounds a year as recently as a century ago. Thereafter, competition from cane and beet sugar plus more favorable employment opportunities elsewhere, gradually took the joy out of the "sugar bush" business until it has virtually disappeared.

While the maple sugar industry was dying, domestic production of sugar cane and beets increased, though not as fast as the population and its growing appetite for sugar.

In the latter part of the nineteenth century, a number of European governments — aiming to

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encourage and protect their domestic sugar industries — imposed heavy import duties and paid substantial bounties on exports of sugar. This could have meant quite a break for American consumers — a foreign-subsidized supply of sugar — except that American sugar growers were politically powerful enough to obtain a similar tariff-plus-bounty arrangement in this nation under the McKinley Bill of 1890. From then on, with minor exceptions, the governmental policy relative to sugar has been to protect domestic producers rather than to raise revenue.

For several years prior to World War I, from a fifth to a fourth of the sugar requirements of the United States were satisfied through the "protected" domestic sources. More than three-fourths of the supply in that period came over a tariff wall amounting to nearly 2 cents a pound.

INTERFERENCE with ocean shipping during World War I threatened imports of sugar to the United States. Even though the government lowered the tariff wall during the war, sugar was comparatively scarce, and consumers resorted to the old trick of offering more money for the precious sweetener. This might have resulted in substantially increased domestic sugar production, except that the government further intervened with ceiling prices; and potential sugar producers promptly turned to other crops from which they could still reap the consequences of wartime inflation. During the war years of most urgent demand in the United States, domestic production of sugar was a less reliable source of supply than were imports.

When sugar price ceilings were lifted following the war, the price jumped temporarily in 1920 to 22.5 cents a pound. At such prices, the pent-up demand was soon saturated; supplies increased as growers all over the world switched back to sugar production, and by the end of 1921 the price of raw Cuban sugar at New York had fallen as low as 1.82 cents a pound. This, of course, was quite a blow to sugar growers in the United States. But with tariff protection, and some price recovery, they struggled through until the depression when, in 1932, the price of raw sugar fell to less than a penny a pound.

The government intervened in behalf of domestic sugar growers with the Jones-Costigan Act in 1934. This Act enabled the government of the United States to

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do to American consumers what German U-Boats had threatened during the war: cut off or cut down on imports of sugar. One of the arguments for such action by our own government was that it would help develop and protect a domestic sugar industry. In a roundabout way, that could have been what the Kaiser had in mind for us, too, though our government officials seem to have missed the point until 1934. By World War II, however, we'd forgotten the point again. Ceiling prices were reimposed on sugar, thus discouraging domestic production at the very time when foreign supplies were most likely to be cut off. We'd built up a peacetime industry, presumably as a defense measure, only to destroy it by price control while the crisis of war was upon us. As in World War I, domestic production again proved to be a less dependable source of supply than were imports of sugar.

IF TAXATION without representation were as keenly resented today as at the time of the Boston Tea Party, the inland waters of the United States would be saturated with sugar. The tribute on tea levied by old King George against the colonists was a minor item in contrast to the cost of government intervention which American consumers have been paying on sugar, particularly since the passage of the Jones-Costigan Act. By means of import quotas, tariffs, and sugar processing taxes, the price of sugar in the United States has been boosted above world market levels, involving extra cost to consumers of nearly $6 billion since 1934.

In these days of $65 billion to $70 billion federal budgets, an item so inconspicuous as a sugar tax of roughly 3 cents a pound no longer incites Americans to rebellion. Housewives count the calories rather than the cost — and continue to pay more than 50 per cent above the world market price for sugar. Admittedly, this is a tiny extra cost when measured by the lump or teaspoon; yet it runs to something like $10 a year for a typical family.

And for what? For growers of sugar cane and sugar beets who claim hardship and a need for federal aid if some other occupation seems more attractive than theirs in peacetime—who wave the flags of national defense when the world is at peaceful trade — yet turn as quickly as any other patriotic citizen to a more remunerative occupation, if they can find it, when war is declared!

Before anyone concludes that

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this is a specific condemnation of the behavior of the sugar growers of the United States, let's return to the opening point. The point was that tariffs and import quotas and other restraints upon trade are not confined to items of industrial production. Farmers, various professional groups, laborers, and others too have had experience behind tariff walls. But the sugar tariffs and quotas did not save the maple sugar industry, nor have they spelled unmitigated prosperity for sugar cane and sugar beet growers who still compete against one another until the least efficient are obliged to seek other employment. And the same holds for every other "protected" industry or occupation in any nation where individuals are still free to switch from one job or business to another. The political barriers to foreign trade merely mean that American consumers are forced to pay more for the goods or services involved than would be the case in a free market.

The more than 50 per cent premium over world market prices for sugar is funneled through the federal government to help pay the administrative costs of such intervention, to maintain a domestic industry larger than a free market would sustain, and to subsidize the favored few foreign producers who hold quota licenses.

A further point of this story about sugar is that farm price supports cannot be justified by the argument that industry has its tariffs and that labor is organized. The competition behind tariff walls is just as keen as without such barriers. All American consumers, not farmers alone, pay the costs of such intervention. As for the excuse that labor is organized, Dr. Harper has shown in the March 1956 FREEMAN — "Why Wages Rise" — that there is no causal relation between union membership and the level of wage rates. And even if there were, a man can quit farming and join a union if he likes.

Sugar cane and beet growers, as well as American consumers of sugar, sometime should realize that the government really hasn't any magic power to improve upon or even come close to matching the unhampered competitive market device for the maximum service of the peaceful interests of everyone concerned.

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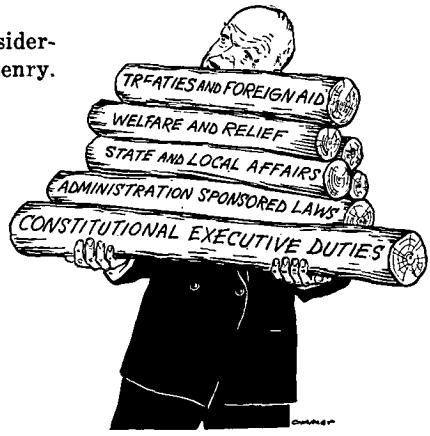
The President's load is also a considerable burden upon the taxpaying citizenry.



Lessening the President's Load

Samuel J. Kornhauser

MR. EISENHOWER'S illness has emphasized the widely held opinion that the presidency necessarily subjects the incumbent to excessive strain. The magnitude of the burden is usually summed up in the words: "It is a killing job." There is a prevailing feeling that something be done about it, and this has evoked numerous published comments and proposed cures. The suggested reforms, however, are not directed to reducing the accumulated load on the office, but to diverting from the President to additional subordinates some of the stress by which he is said to be harassed and enervated. They treat the surface manifestations, not the seat of the malady: the multifarious major tasks which have become lodged in the Executive Department, but do not belong there.

Obviously it is absurd to consume the President's time and energy with a multitude of mechanical exertions, some of which are not unimportant, but transferable, like signing papers, trivial handshakings, medal pinnings, and similar nonsense. Nor is it good business administration to have more than a few chief subordinates report directly to him. But if you removed all minor distractions, there would still remain the myriad, many-sided weighty problems constantly arising out of the enlarged responsibilities which by law, and usage, have been engrafted on the office. The stark fact is that the Executive Department has become so enormous that

Mr. Kornhauser, retired lawyer and businessman, is a contributor on government and constitutional law to various periodicals.

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no man, no matter how vast and versatile his capacity might be, can adequately cope with its immense exactions.

It is a huge labyrinth of bureaus and personnel which remove control farther and farther from the man in whom the Constitution vests all the "executive power" of the United States. This is the blight of bureaucracy. Yet the remedies proposed to mitigate the strain of the presidential responsibilities would make his control even more remote by further delegation and dilution. It is as if the cure for the evils of bureaucracy were more bureaucracy. Through such folly we have drifted into a perilous predicament. The real hope of extricating ourselves lies not in further distribution of the President's load, but in reducing the size of the entire Washington load. This means restoring the equipoise, which the Constitution demands, between the prescribed limited — but sufficient — powers assigned to the federal government and the unfettered exercise by the states of all undelegated political powers.

In his excellent article in the January *Reader's Digest*, Mr. William Hard has shown up much of the rubbish of superficial thinking which clutters this subject. He points out that no President has been killed by overwork. And he might have added that the alleged deadly nature of the office does not deter candidates from sustaining the most arduous exertions, immense sacrifices, and conscience-gripping compromises to obtain this "killing job." Also, what tenant of the White House has willingly surrendered his lease after four years' occupancy? Mr. Hard further points to our two living ex-Presidents, both, in their respective terms, beset by the most onerous and vexatious problems, who are still in robust health — one 72, the other 81. Mr. Hard shows that under existing laws Mr. Eisenhower has done much to improve the dispatch of business in his department, and can do much more; that facts come to him in concise, compact form; and that many minor tasks have been shifted to others.

But no amount of "streamlining" of the colossal Executive Department can reach the heart of the disturbing issue it presents. The suggested palliatives are an attempt to perfect a huge bureaucracy, and there is no such thing possible as a perfected huge bureaucracy. The excessive burden laid on the Chief Executive is the harvest of the inordinate powers which have become centered in

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the federal government. The only effective means of reducing the President's tasks to the scope of reasonable human capacity is curtailment of the overgrown functions implanted in Washington.

All three departments of our government share the blame for the growth of federal authority to its present mammoth dimensions. Congress passed the laws which enthroned big government in Washington; a Supreme Court, dominated by sociological rather than judicial concepts, sustained these laws; and Presidents have more and more endowed themselves with self-made extraneous prerogatives. The impact of war and economic distress jarred the people by and large from their normal sanity; they fell for the lure of blessings bestowed by the State, blind to the fact that they were dissipating their richest heritage: the safeguards of human liberty erected in the Constitution.

The short cut to "welfare" through projects, endowed and administered by Washington, has led to an endless series of commissions, authorities, and agencies designed to supervise business and personal affairs and to supplant local self-government. As with an addict to narcotics, ever-increasing doses are needed to satisfy the craving. Management of this vast accumulation of anomalous establishments falls to the President and creates a large part of the removable load he now carries. That phase of the problem can be solved if Congress, by repeal of laws, restores the purloined powers of the states, and leaves to them exploits in the field of welfare legislation under the immediate eye and control of the citizens affected.

BUT THERE IS one aspect of the problem, the solution of which rests chiefly with our Presidents themselves. Perhaps the most devastating strain on the Chief Executive is imposed by the adventitious function of legislative leadership which has become associated with his office. This is a wholly extra-constitutional function. The Constitution makes him an executive, not a lawgiver. In its initial sentence it ordains that "all legislative powers herein granted shall be vested in a Congress of the United States." That creates the exclusive right and responsibility with respect to legislation. Obviously, it follows that legislative leadership should come from within, and be maintained within, Congress alone. Yet now, not only is the President expected to originate a detailed program of desir-

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able laws, but also to procure their enactment by resort to every resource at his command. The friction and heat engendered in the struggle to win over sufficient support for his bills create the most exhausting trials to which he is subjected.

Nothing in the Constitution justifies this intrusion into the field allotted to Congress. The Constitution directs the President to submit information to Congress and to recommend for its consideration such measures as he deems necessary and expedient. Nothing more is authorized. Nowhere, by word or implication, is the President given leave to use the power and prestige of his office to lash members of Congress into obedience to his will. He is authorized to recommend, not command, enactment of laws. If, after submitting facts and recommendations, he would leave the responsibility for legislation squarely on Congress where it belongs, and content himself with giving advice, that would go far to relieve him of undue burdens.

Nor would renunciation of such accretions to the office impair its proper position and influence. From the beginning, the sphere of the presidency, within its plain constitutional limits, was enough to excite the ambition of men of stature and renown. With the extraordinary growth of our nation, competent administration of the undilated functions of the office is enough to tax the most eminent ability. He is charged with the duty of enforcing obedience to law; of managing all executive departments, among which our colossal military establishment is alone an enormous task; of being the agency for contact and negotiations between our government and all foreign governments, requiring him to keep watch on what goes on in every corner of the world, and to cope with the mess of international politics into which we have been plunged. In a word, the job held within constitutional dimensions is big enough.

THE TASK, then, is not to find means of accommodating ourselves to the existing puffed-out powers of the presidency, but to cut down the office to its designed size. It can be done if our Presidents cease trying to play the role of Prime Ministers, and if Congress remains within the boundaries delineated to limit its range. The governmental machinery of forty-eight states can take up the load if the functions illegitimately assumed by Washington are abrogated.

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America has given the world a priceless demonstration that federal union, subject to local self-government, can be successfully applied to a gigantic political aggregation, spread over a vast territory, and composed of a population derived from immigrants inured to many diverse ancestral cultures. John Fiske, eminent historian and philosopher, who had so competent a grasp of our constitutional system, put into these few words the essence of the federal union concept: "How to insure peaceful concerted action throughout the Whole, without infringing upon local and individual freedom of the Parts . . . ." We did that. Yet, particularly in the last quarter century we have allowed that rich heritage to become impaired.

IT IS A STRANGE aberration which has led the bulk of our people to embrace and approve the prodigious centralization of power in Washington at the very time when big business finds it imperative to adopt a form of organization which accords the largest measure of local freedom to its parts compatible with concerted action throughout the whole. Take General Motors, for example, a combination of numerous, separate, large business entities. This far-reaching industrial empire could not be well conducted directly from a central office. The management of each component is given the utmost freedom of administration within the scope of its allotted domain and objectives, including competition with associated units, but answerable to the central authority for conformity to directions designed to prevent disharmony and to promote over-all success. Thus by this "sincerest flattery" does big business pay tribute to the essential principles of federal union embodied in our system of national government nearly 170 years ago, and proved valid in the long test since. Surely in this connection there should be no dissent from Secretary Wilson's declaration that "what is good for General Motors is good for the United States."

The issue involved concerns every future President whether he is 55 or 75. Not only the accumulated excessive burdens, but also the impossibility of duly discharging the obligations imposed, are detrimental both to the incumbent and the country. The remedy lies in re-establishing the submerged powers of the states, and confining to their designed province the limited functions of the federal government.

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Do-It-Yourself

THE "DO-IT-YOURSELF" movement is one of the most striking developments of the postwar years. People undertake all manner of repair jobs; decorate and remodel their homes; build furniture, garages, boats, and toys. They equip workshops and studios; acquire working knowledges of painting, paper hanging, carpentry, plumbing and electricity. Across the countryside one can even see people building their own houses from the foundation. The five-day week, more paid holidays and vacations, and compensated unemployment give extra time for home projects . . . .

The postwar decade has been a period of over-full employment, booming construction, and rising wages. Building, plumbing, electrical, and painting contractors not unnaturally favor the bigger projects. Industry has tempted the odd-jobs handyman into regular employment. While anything mass-produced is comparatively cheap, custom-made products are impossibly dear. A person often is forced to handle his own maintenance and repair job because no one else can be found to do it, at least within any sensible cost. When a skilled surgeon, dentist, or diemaker is compelled to take time off to fix a leaking pipe or glaze a broken window, there is waste of human resources. Overfull employment undermines the efficiency of the economy.

This uneconomic application of labor is accelerated by the income tax. The marginal dollar the surgeon, dentist, or diemaker earns in his regular work has to be shared with Uncle Sam. It shrinks to seventy, sixty, fifty cents, or even less. The greater the skill, the higher the tax. There is no tax on what you do for yourself.

Do-it-yourself projects give benefits free of income tax. And there is no tax on the time devoted to filling out the income tax return and studying ways and means of easing the tax burden. "Taxmanship" is the generic name that has been given to the art of finding items that do not have to be shared with Uncle Sam or that can be subtracted from otherwise taxable income in order to reduce the tax due or qualify for a refund of tax withheld. The income tax return engages all the wits and money-saving instincts of millions of do-it-yourself fans.

The Internal Revenue Service has urged people to work out their

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returns for themselves, to spare the burdens on the revenue agents. Internal Revenue Commissioner Russell C. Harrington gives assurance that the return is not complicated: "A high school kid should be able to fill out the average return if he knows arithmetic."

With do-it-yourself projects, outward simplicity is often deceptive. The real do-it-yourself fan ignores the simplicities of the law so as to give undivided attention to the complexities. The biggest-selling of all how-to-do-it books are the popularized guides to income tax savings . . . .

The taxmanship movement has a simple foundation. Congress has been remiss in getting tax rates down to tolerable levels. So the enterprising citizen is driven to do it himself.

Gratifying as it is to observe still another manifestation of the resourcefulness of the American people, there are some less satisfactory aspects of the movement. The income tax rates set the rewards for evasion so high that the basic honesty of the people is sorely tested. Mr. T. Coleman Andrews, Mr. Harrington's predecessor as Internal Revenue Commissioner, said on a radio program a month ago that the present progression of personal income tax rates is "the greatest potential that anyone has ever thought of for making out of us a nation of liars and cheats."

It would be well for the Congress to give heed to trends that undermine the moral base of our civilization.

From the *Monthly Letter*, March 1956, The First National City Bank of New York.

Abolish This Evil Tax

IN WHAT the *New York Daily News* describes as "a dynamite loaded speech," former Collector of Internal Revenue, T. Coleman Andrews, recently proposed the complete abolition of the federal income tax. Andrews, when he was collector, found out firsthand how discriminatory, how unfair, and how dangerous to economic liberty this tax has been. In trying to enforce its complex and punitive provisions he ran into many cases of deliberate or inadvertent evasion. In frustration, he even castigated the courts for failing to throw the book at those accused of "tax evasion." He now

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realizes that it is the tax itself that invites evasion and legalistic schemes for avoiding payment. Everybody who ever made out an income tax form knows that it is virtually impossible to avoid making a mistake either for or against yourself unless you hire a certified public accountant or tax lawyer to help you.

Mr. Andrews charges that the income tax discriminates sharply against the middle income group — those making from $8,000 a year to $25,000 a year. It virtually confiscates all income above those levels. Anyone who has seen the "$64,000 Question" or the $100,000 show, "The Big Surprise," is aware of that. A youngster who recently won $100,000 was able to salvage for himself only $37,000 of it after the federal tax collector got through with him. And he had to adopt the legal maneuver of having himself declared the "head of a family" to be able to keep that much! Such confiscation obviously discourages the incentive to take risks, which is what our whole free economic system has been built upon.

Every American would love to be able to stop making out that viciously confused and complex income tax form. The income tax itself is the radical change in American life. When it was enacted, nobody ever thought, except perhaps socialists and communists, that it would ever take 90 per cent of a wealthy man's income and 20 per cent of an average man's income. Such a tax is completely contrary to the original constitutional principle that every citizen has a right to be treated equally under the law and not be discriminated against simply because he is more enterprising than his fellows. It attacks the right of every citizen to win as much wealth as his ability and his work permit him in competition with his fellows.

The dynamic economy of this country, which brought our living standard to a point where it is the envy of even the richest other nation in the world, was created by these incentives of free competition, by risk capital, by allowing a citizen to be rewarded according to his *work* instead of adopting the communist principle of rewarding each "according to his *needs*." The growth of the progressive income tax has imposed a limitation on the American competitive system that can, in the end, destroy that system and replace it with a Marxian society that levels all people off in legislated poverty.

From an editorial in the *Indianapolis Star*, March 2, 1956.

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Some Mistakes of Marx

William Henry Chamberlin

"THE EVIL that men do lives after them." This maxim applies with singular force to the work of Karl Marx. The life of this apostle of socialism, communism, and class war was spent, for the most part, in obscure and sometimes squalid poverty. Marx was unable to make even a humble living as a writer and journalist; he had no other trade or profession. He would probably have had to go on poor relief, in his time less generous in England than it is now, if it had not been for handouts from his disciple and collaborator, Friedrich Engels, who enjoyed the advantage of having a successful capitalist father.

Marx's record of political achievement at the time of his death seemed quite sterile. Because, in a moment of bravado, he renounced Prussian citizenship, he was unable to go to Germany or take any intimate part in the German socialist movement. He played no role in English politics.

To put it mildly, Marx was not a mellow or lovable character. His habits of excommunicating from the socialist movement everyone who disagreed with him kept his circle of friends very limited.

There is an abundance of historical evidence for Max Eastman's caustic profile of Marx in *Reflections on the Failure of Socialism*:

> If he ever performed a generous act, it is not to be found in the record. He was a totally undisciplined, vain, slovenly, and egotistical spoiled child. He was ready at the drop of a hat with spiteful hate. He could be devious, disloyal, snobbish, anti-Semitic, anti-Negro. He was by habit a sponge, an intriguer, a tyrannical bigot who would rather wreck his party than see it succeed under another leader.

BUT IF there were few mourners, literally or figuratively, at the grave of Marx the man, the idea of Marxism, the vision of a world in which the proletariat, oppressed by capitalism, was to become the architect of new millennial order, marched from success to success.

Before World War I Marx was revered as the founding father of

Mr. Chamberlin, author of the definitive two-volume history of the Russian Revolution and numerous other books and articles on world affairs, is uniquely qualified to discuss Marxian errors by having lived and traveled where such mistakes are most obvious.

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the socialist parties which had sprung up in most European countries. Because a Russian genius of revolutionary action, Vladimir Ilyitch Lenin, swallowed Marx's ideas whole without conscious reservation, Marxism became the creed of the new communist regime in Russia.

This regime, which has never wavered in its belief that someday its power will encompass the entire world, represents a revolt against all the values of Western civilization, against religion and the moral law, against civil and personal liberties, against the right to own property, which is one of the first and most indispensable of human liberties. After World War II communism, the offspring of Marxist teaching, extended its dominion over China, over the countries of Eastern Europe, so that today it has been imposed as a dogmatic faith on more than one third of the population of the world.

And the influence of Marx is by no means restricted to nations under communist rule. The appeal of Marxian ideas to European socialists, to the half-baked intellectuals of newly emancipated countries in Asia has been considerable. And, although the number of persons who can honestly claim to have read through with comprehension the dry and abstruse *Capital* must be small, the simplified version of Marxist theory presented in *The Communist Manifesto* and elsewhere possesses strong psychological appeal.

Marx professed to know all the answers, to offer a complete explanation of human activity on the basis of historic materialism. In the Marxian scheme there is a hero, the proletariat, a villain, the bourgeoisie; and the hero is represented as a certain ultimate winner. There is a vision of revolutionary victory that will transform the conditions of human existence and usher in a millennium, of the nature of which, to be sure, Marx offers few and vague hints. To trusting minds which accept Marx's premises and assumptions without question there comes an intoxicating sense of being in step with history, of professing a creed that is based on infallible science.

BUT IT IS just this myth of infallibility that is the Achilles' Heel of Marx as a thinker, of Marxism as a system. An examination of the works of Marx and his collaborator Engels reveals ten big mistakes, of which some are so fundamental that they completely discredit, as a preview of the future, the whole superstructure of faith in capitalist misery

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and doom, and socialist prosperity and triumph, which Marx laboriously reared on a foundation of Hegelian metaphysics and minute research in government reports on the seamy sides of early British capitalism. These mistakes are as follows:

(1) *The doom of capitalism is assured because under its operation the rich will become richer and fewer; the poor will become poorer and more numerous.* To quote one of the more striking rhetorical passages in *Capital*:

> While there is a progressive diminution in the number of the capitalist magnates, there occurs a corresponding increase in the mass of poverty, oppression, enslavement, degeneration and exploitation. But at the same time there is a steady intensification of the wrath of the working class—a class which grows ever more numerous and is disciplined, unified and organized by the very mechanism of the capitalist method of production. Capitalist monopoly becomes a fetter upon the method of production which has flourished with it and under it. The centralization of the means of production and the socialization of labor reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property sounds. The expropriators are expropriated.

These are resounding words, but utterly empty words, in view of the fact that social and economic development in capitalist countries has proceeded along a precisely opposite direction from the one predicted by Marx. What was in Marx's time a social pyramid has become more like a cube. The capitalist system has brought to the working class not increasing "oppression, enslavement, degeneration and exploitation," but an increasing share of new inventions and comforts that did not even exist for the wealthy a hundred years ago: automobiles, radios, television sets, washing machines, as well as money in the bank, stocks, and bonds.

(2) *Socialism can only come about when capitalism has exhausted its possibilities of development.* Or, as Marx puts it in his *Critique of Political Economy*:

> No form of society declines before it has developed all the forces of production in accordance with its own stage of development.

But, of the three countries which, according to Marx, were ripest for the transition to socialism, as most industrially developed, the United States is still, by and large, the freest economically.

The larger free part of Germany, after the terrific shock of the war, has achieved a remarkable recovery by shedding Nazi and Allied controls and resorting to old-fashioned individualistic incentives. Great Britain has settled for a kind of socialistic New Deal, without violence or outright expropriation and well short of

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Marx's "dictatorship of the proletariat."

On the other hand, the countries where violent revolutions were carried out in the name of Marx, the Soviet Union and China, were, on Marx's own theory, completely unripe for socialism. Capitalism was in a fairly early stage of development in Russia. Much of China lived in precapitalist conditions. Experience has shown that, in precise contradiction of Marxist dogma, capitalism is harder to overthrow as it strikes deeper roots and shows what it can accomplish. A plausible case can be made out for the proposition that, although political and economic change would have come to Russia, there would have been no communist revolution if World War I had been avoided and Stolypin's policy of breaking up the old peasant communes and giving the peasant more sense of individual property had developed long enough to yield results.

(3) *The "dictatorship of the proletariat" is a just and feasible form of government.* This is based on two false assumptions: that the "proletariat," or industrial working class, has some kind of divine right to rule and that governing power can be directly exercised by this group of the population. Both are wrong. Marx never clearly explained why the proletariat, for which he foresaw increasing poverty and degradation, would be qualified to rule. And Soviet experience and Red Chinese experience offer the clearest proofs that dictatorships of the proletariat, in theory, become ruthless dictatorship over the proletariat, in practice. Absolute power in communist states is exercised not by workers in factories, but by bureaucrats, of whom some have never done any manual work; others have long ceased to do any.

(4) *Under socialism the state will "wither away."* This grows out of Marx's belief that the state is an instrument for the suppression of one class by another. In the classless society of socialism, therefore, there will be no need for the state.

Events have played havoc with this theory. Nowhere is the state more powerful, more arbitrary, more of a universal policeman, snooper, and interventionist than in the Soviet Union. Yet it is here that the new regime has abolished private property in means of production, thereby, according to Marx, inaugurating a classless society. One is left to choose between two alternative conclusions. Either the Marxist theory

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of the state as an instrument of class rule is a humbug or the kind of class rule that prevails in the Soviet Union must be uncommonly crude and ruthless.

(5) *Capitalism (in the nineteenth century) has exhausted its productive possibilities.* This flat statement is made by Marx's *alter ego,* Engels, in his *Anti-Duehring,* written before the internal-combustion engine, X-rays, aviation, synthetic chemistry, and a host of other enormously important additions to the productive process, brought into existence by the stimulus of capitalism.

(6) *All ideas, all forms of intellectual and artistic expression are a mere reflection of the material interests of the class in power.* This conception is expressed repeatedly in Marx's writings, notably in *German Ideology,* where he writes: "The class which has the dominant *material* power in society is at the same time the dominant *spiritual* power .... The dominant ideas are nothing but the ideal expression of material conditions." One of the few wisecracks associated with the name of Marx is that the Church of England would rather give up all its Thirty-Nine Articles of Faith, rather than one thirty-ninth of its possessions.

The historical record shows that this interpretation of human conduct is crudely one-sided and inaccurate. Men die far more often for ideas than for material interests. The communist victory in Russia was not due to the fact that material conditions for the masses became better after the Bolshevik Revolution. This was emphatically not the case. What did happen was that the organized, disciplined, communist minority acquired an iron grip on the masses by its double weapon of propaganda and terror, kept passions of class hatred and class envy at the boiling point, whipped laggards into line by ruthless regimentation, and thereby preserved their regime through years of civil war and famine. Sometimes the materialistic interpretation of history becomes sheer absurdity, as in the case of a Moscow musical announcer, whom I once heard offer the following bit:

> We will now hear Glinka's overture, "Ruslan and Ludmilla." This is a cheerful, buoyant piece of work, because when it was written Russian trade capitalism was expanding and conquering markets in the Near East.

It would seem that, in order to carry any semblance of plausibility, this should have been accompanied by proof that Glinka owned stock in the expanding companies — a highly improbable contin-

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gency, if one considers the economic status of Russian musicians.

(7) *Production depends on class antagonism.* To quote Marx, in *The Poverty of Philosophy*:

> From the very moment in which civilization begins, production begins to be based on the antagonism of orders, of states, of classes, and finally on the antagonism between capital and labor. No antagonism, no progress. This is the law which civilization has followed down to our own day.

Like many of Marx's "laws," this is a mere unsupported assertion of a pedantic dogma. No proof is adduced. The greatest human constructive achievements, the cathedrals of the Middle Ages, the great dams and skyscrapers of modern times, are the fruit of cooperation, not of antagonism.

(8) *Nationalism is a negligible force.* Marx and Engels lived in an age of rising national consciousness. Conflicting nationalism was the strongest force that let loose World War I. Yet in all their writings the attitude toward nationalism is one of contemptuous deprecation. As Isaiah Berlin, a fairly sympathetic biographer, writes (*Karl Marx*, p. 188):

> He consistently underestimated the force of rising nationalism; his hatred of all separatism, as of all institutions founded on some purely traditional or emotional basis, blinded him to their actual influence.

(9) *War is a product of capitalism.* This idea has found some acceptance outside the ranks of the Marxist faithful. The temptation to seek an oversimplified scapegoat for war is strong. But while, theoretically, such Marxian motives as struggle for trade, colonies and commercial spheres of influence, might lead to war, there is no serious historical evidence that any major conflict was ever touched off by such considerations. There were differences of economic interest between the industrializing North and the mainly agricultural South before the Civil War. But these could easily have been compromised. What made the fratricidal conflict "irrepressible," in Seward's phrase, were the two big political and moral issues: secession and slavery.

World War I was purely political in origin. There was the clash between Slav nationalism and Austro-Hungarian desire to hold together a multinational empire. A system of tight and almost automatic alliances turned what might have been an Austrian punitive expedition against Serbia into a general war.

World War II was the handiwork not of any magnates of capitalism, but of a plebeian dictator, Adolf Hitler, pursuing aspira-

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tions of conquest and military glory that far antedate the modern capitalist system. The three countries that were best prepared for war were the communist dictatorship in the Soviet Union, the Nazi dictatorship in Germany, the authoritarian military regime in Japan. Capitalism makes for free trade, free markets, limited governmental power, and peace. And the principal war threat today comes from the expansionist urge of communist imperialism.

(10) *The worker is cheated because the employer, instead of paying him the full value of his work, holds out on him profit, interest, and rent.* Or, as Marx himself states his theory of "surplus value" (*Capital,* Modern Library edition, p. 585):

> All surplus value, whatever particular form (profit, interest, or rent) it may subsequently crystalize into, is in substance the materialization of unpaid labor. The secret of the self-expansion of capital resolves itself into having the disposal of a definite quantity of other people's unpaid labor.

It requires little reflection or research to realize that "surplus value," like many other Marxian catch phrases, is a myth. How, under any economic system—capitalist, fascist, socialist, communist — could industry expand and provide more goods and more jobs for more people if capital were not withheld from immediate payment to finance future construction? Perhaps the best refutation of Marx's rabble-rousing myth that surplus value is a peculiar dirty trick of capitalists, practiced against workers, is that the extraction of what might be called surplus value is practiced on a gigantic scale in the Soviet Union through the medium of a sales or turnover tax that often exceeds 100 per cent.

It is amazing that, with such a demonstrable record of failure to understand either the world in which he was living or the direction in which that world was going, Marx should be hailed as an unerring prophet. The truth is that there is nothing remotely scientific about Marx's socialism. He started with a set of dogmatic a priori assumptions and then scratched around in the British Museum for facts that would seem to bear out these assumptions. Like the Emperor in the fairy tale, Marxism, for all its ponderous appearances, really has no clothes on when examined in light of realities, in Marx's time and in our own. His supposedly infallible system of interpreting history and life is riddled with mistakes, of which the foregoing ten are only the most obvious and the most glaring.

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A Fair Wage

C. W. Anderson

"WE MUST recognize that every employee is entitled to a fair wage." So concluded the speaker, a respected manufacturer and civic leader, elaborating on the development of industrial statesmanship at a typical gathering of American businessmen. Audience reaction indicated full approval of this, the voice of "enlightened" management!

While applauding the urge for more statesman-like industrial management, let us examine the implications of this particular declaration: a right to a fair wage.

Suppose, for instance, that a man is employed to produce ordinary aluminum measuring cups. Working with only such hand tools as a hammer and cutting shears, he is able to cut and form two cups an hour — 16 in an 8-hour day; and these hardly the streamlined models which grace a modern kitchen.

A block away, a man using a press, dies, and other mass production equipment turns out high quality aluminum measuring cups at a rate of 320 a day. What is a "fair wage" in each of these plants? Is it the same for the man who forms cups with hand tools as for the man who mass produces them at twenty times the first man's rate?

If the advocate of "fair wages" begins with the assumption that a dollar an hour is a fair wage for the man using hand tools, it is clear that each cup must sell for no less than 50 cents — just to cover labor costs. But charging any such price for handmade cups obviously is out of the question if superior cups from the nearby competing plant are offered, shall we say, at 15 cents each.

If the consumers' choice is to be a determinant of the price of cups, then it appears that this hand craftsman — for the job he is doing — may not be able to earn more than a few cents an hour. Were he to insist on more from his employer, he'd obviously price himself out of that job. This, of course, would leave him the alternative of seeking employment elsewhere; possibly at the more highly mechanized plant in the next block.

Within an economy of open competition, it seems reasonable that any person should be free to

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choose from among various available employment opportunities. But if all interested parties — including employers and consumers — are to be equally free to choose, then it is clear that the employee may not arbitrarily set his own "fair wage," and demand a job at that rate. Nor can an employer arbitrarily maintain for an appreciable time a "fair wage" that is much higher or lower than is indicated by the competitive situation. If he tries to pay more than is justified by the productivity of his men, he must face bankruptcy. And if he pays much below the prevailing level in that area, his workmen will quit.

If freedom of choice is to be respected, then the only fair wage is one determined by the purely voluntary process of competitive bargaining in a free market.

One may deplore the plight of the poor fellow in the unmechanized plant: how will he use his skills? Indeed, it is unfortunate if he lacks the modern equipment to make his efforts most productive. But to suggest that he should receive more than is reflected in the price consumers will voluntarily pay for cups is to reject the ideal of competitive private enterprise, and to accept Marxian philosophy. That would be saying in effect that *need,* and not productivity, determines wages; and that once a person starts work at a certain job, he has a vested interest in that job and a right to receive more than he can earn in it. We may decry the decisions of consumers in the market place if they reject the high-priced product of the hand-skilled employee, but the only substitute arrangement is to deny the consumer's right of choice — by law, forcing him or some other taxpayer to subsidize the particular craftsman.

So a "fair wage" is not something static which anyone can pick out of the air or arbitrarily define. It is not a fixed amount for every employee, but a figure that varies with each person and situation. The physical strength and technical skill of the employee may be highly important factors; but from this simple illustration it is clear that neither these, nor the man's *needs,* can be the sole determinants of wages. The most important single factor is productivity which proceeds from investment in tools. When this truth is recognized, it wholly displaces the fallacious idea of a right to a "fair wage."

Understanding of this economic fact would be an important step in the development of industrial statesmanship.

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Why Wages Rise:

3. DIVIDING THE PIE

F. A. Harper

Real wages in the United States are about five times as high as they were a century ago. The first in this series of articles showed that this rise apparently is not, as commonly believed, due to the growth of labor unions.

The second article in the series showed the close parallel between changes in incomes and productivity. Higher wages come from increased output per hour of work. This is not a new or profound discovery. For how could consumption be greater than production?

Wages, however, are not the only part of the economic pie. Why, then, couldn't wages be raised by giving the employee a larger share? That is the question to be dealt with in this article.

FOR PURPOSES of this discussion, the pie of personal incomes may be thought of as divided into two parts. One is the pay for work done currently and the other is pay for the use of savings — income from work done in the past and not used for consumption at that time.

Pay for work done currently includes wages and salaries, or the equivalent in some other form of economic reward. On the other hand, income from the use of savings includes interest on money loaned, dividends on shares of ownership, rent on real estate, and the like.

A person who has never saved a cent and who owns no tools of his own may be getting all his income from work done currently, using tools that have been provided by the savings of others. Another person — perhaps an aged person — may be idle so far as current economic effort is concerned, getting all his income as pay for the use of his past savings. More commonly, a person receives part of his income from each of these sources, getting some from current effort and some from savings.

Some persons work for themselves, using in full or in part tools provided from their own savings. And some persons work for others.

There are all sorts of combinations of income from these two sources. But in some form or de-

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gree, essentially everyone in the United States has savings or property and is therefore a capitalist. Most persons also have some income from work done currently.

Present Divisions of the Pie

Information about the present division of the economic pie can be found in figures supplied by the Department of Commerce.*

The average personal income in the United States was about $4,600 in 1955. Of this amount, something like 85 per cent, or $3,910, appears to have been pay for work done currently. The remaining 15 per cent, or about $690, was pay to savers who were providing the tools of production in one form or another.

Were the entire pie to go to wage earners and others as pay for current work — as advocated by Karl Marx, to be explained shortly — wages could go up from 85 to 100, or about one-sixth. And even this much rise could occur only if there were no reduction in the size of the total pie — that is, in total production.

But let's assume that no decline were to occur in total production. How important, then, would be the rise in wages compared with the rise caused by increased productivity which was discussed in the two previous articles? Since 1917, wage rates have risen with increased productivity at about 2.5 per cent a year. Thus in six years' time this rise in wages would equal the 15 per cent increase possible from getting all the remainder of the pie. Or to put it another way, productivity increases during the past working generation have raised wages perhaps six times as much as could possibly come from diverting to wages every cent of current returns for savings.

Wages can, furthermore, continue to rise indefinitely so long as productivity continues to increase. But a gain in wages from a larger share of the pie is a gain which can be repeated only once. Any increase from that source can go only from the 85 to 100 per cent, and no further. A dead end to improvement is then reached, because a pie of more than 100 per cent is not possible.

Adverse Effects on Savings

Capital created from savings makes possible a large part of our production. It apparently raises the average income in the United States to a level of $4,600 instead of perhaps $200 to $250 — as it

Survey of Current Business, National Income Number, July 1955, and corresponding issues in earlier years. United States Department of Commerce.

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would be if there were essentially no tools. This teamwork between those who save and those who use the tools is the reason for our high and rising wage rates. Without a continuous and increasing supply of tools, the gear wheels of economic progress would be slowed or even stopped.

Without a return for savings, where would future tools come from to enhance the fruits of current effort? Who would then be willing to save and invest in tools, if obliged to take all the risk without any prospect of return? Few persons would save till tomorrow what they could consume today, unless they were rewarded for doing so.

During the last quarter century inroads have been made into the reward for savings, with serious consequences. The rate at which personal savings are being invested in productive tools, as compared with earlier decades, has declined. Among what we call "savings" are government bonds, which in reality are investments in a deficit of the government — not a productive tool any more than would be your tax receipt. And some of what is called "savings" has been forced upon individuals, in a sense, as a direct or indirect consequence of present tax policies.

Over the last quarter century the costs of government have nearly trebled in proportion to personal incomes, going up from 12 to 34 per cent. It is impossible, of course, to know for certain how heavily this has been a burden on pay for savings as compared to pay for current work. But there have been large increases in the graduated taxes on both individual incomes and corporate incomes — the "double tax" — and the government has held down interest rates in order to help the sale of its (deficit) bonds. This has unquestionably reduced the share of the pie going as pay for real savings.

History of an Idea

An increased share of the pie going to wages, at the expense of the share for savings, is not just an accident. It is the wayward son of a notorious ideological ancestor. Its pedigree needs critical study by those of us who have faith in a system of personal responsibility and freedom of opportunity in economic affairs. Plausible on the surface, this idea has seduced many who today denounce it by name but embrace its substance.

During most of his ten million or more years of history, man has presumably been his own employ-

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er, producing most of his own food, raiment, and shelter — though, of course, we do not know the unknown. But if it is true that in most instances he worked for himself, or perhaps joined other huntsmen and producers in informal cooperation, such a type of livelihood would hardly have permitted him to embrace the notion that one's welfare can be improved by claiming a larger share of his own pie. No sane person is going to demand more wage from himself for his muscular work, at the expense of his management self or his tool-owning self.

Somewhere along man's historic trail some men began to enslave others to work for them. Slaves doubtless wanted a larger share of what was produced, but there wasn't much they could do about it because the master held full ownership of the slave. And anyhow, in those early slave-holding days each person was able to produce little more than enough to keep himself from starving, and so a master couldn't take much of what a slave produced or he would have a slave no more.

In more recent times the voluntary employer-employee arrangement among free men has largely displaced slavery throughout the world. Some work for others at a wage. They may want to do so as a way of gaining the use of tools with which to work, or because for some other reason the wage offered is more enticing than the rewards in prospect while working for themselves.

By this arrangement, persons sell in the market what they have jointly produced. And when this is done, the problem of dividing the pie arises in a new form. Instead of a slave who can do nothing about it except bemoan his plight as he wearily hoes his row, the employee can — if he so desires — go elsewhere to seek an easier livelihood or higher pay.

Labor and Surplus Value Theories

From this new economic climate there arose, in the course of time, the *labor theory of value* which has become highly appealing to some among the employee class. It is often used in one way or another in bargaining for wages, which are now a form of price and therefore the object of higgling and haggling in the market, as is the price of wheat or potatoes.

On its surface the labor theory of value seems plausible enough. Suppose you are a self-employed person and consume what you produce. If you have to work twice as long to produce one thing you want as to produce another, it

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would seem that you must prize the former twice as much as the latter. If this were not so, wouldn't you have produced something else instead? Something requiring three times the labor must be prized three times as much, etc. In like manner, the labor theory of value assumes that labor is the essential ingredient by which to measure all value.

The labor theory of value had just nicely gained some respectable acceptance among economists of that early day when along came a man — Karl Marx — with a cause which fitted this theory tragically well. Others before Marx had, of course, held essentially the same views about value. But Marx set in motion forces which have brought the world to the brink of disaster in economic, social, and political affairs.

Having accepted the labor theory of value from the classical economists, Marx a century ago attempted to explain how profit to private owners worms its wily way into exchange by way of the capitalist system. All return on capital, according to Marx, comes out of the value that labor has created and is just another form of theft that capitalism has tried to make respectable. This concept of profits is a logical descendant of the labor theory of value.

Marx viewed a return on capital in the same manner as a doctor views a parasite feasting on his patient. For if all value comes from labor and is in proportion thereto, any share of the pie going to anyone other than the laborer, in proportion to his labor, must be the result of a parasitical attachment by capitalists.

The devilment in the capitalist setup, according to Marx, is made possible by the private ownership of the land, materials, and tools with which labor does its work. The capitalist owner who holds title to these material means of production can, in this way, claim ownership of the product. He can then withhold any part of it he wishes from the laborer — the one who Marx claimed was the rightful owner of all of it because he is the one who created all its value in the first place.

So pay for the use of capital is like loot from theft, as Marx saw it. He said that the absolute amount of profit is equal to the absolute amount of *surplus value*. Persons who hold these Marxian beliefs charge that the laboring man is "exploited" by the capitalist owner; that he is a "wage-slave" of the capitalist.

The term surplus value was defined by Marx, then, as the part of production which, under pri-

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vate ownership, is confiscated by the capitalist from its rightful owner, the laborer. That is the part which all Marxians believe can and should be reclaimed by labor. The amount of surplus value, by this concept, measures the amount that wages could rise aside from any increase in hourly output. Were labor to regain this lost part of the economic pie, it would simply mean taking it back from the capitalist thief.

Some ten million years ago man's tools probably were simple ones, like a stone fastened to the end of a stick. We may assume incomes then were essentially all reward for current work, rather than being a reward for savings from past effort stored in the form of tools to aid in production. The labor theory of value may seem to have applied fairly well then because essentially all production was the result of direct and current labor. True or false, the surplus value theory could hardly have been of concern then, and putting it into practice could have done little damage to their meager living.

But today, being as dependent as we are on tools, the surplus value theory is a sort of economic bomb which, if infused into action, could do unbelievable damage. Were the "justice" of that theory to be put into practice, we would probably be writing articles about why wages fall rather than why wages rise.

The problem of dividing the pie should be left to the free market of individual choices among employees and employers; consumers and producers; investors and borrowers; traders of all sorts, everywhere in exchange. If left to these free individuals, rather than to become the handles of power in politics or among organizations representing any of these special interests, the decisions will be in the best interests of all.

Wherever the pie is divided by the free market, one thing seems sure: Marx' surplus value theory will be vetoed. For persons will continue, as they have over the past few centuries in our relatively free United States, to recognize a bargain when they see one. That bargain is tools. Of our total output, perhaps as much as 95 per cent is because of the use of tools. And this is at a cost of only about 15 per cent of total output, as pay to those who have saved to create these tools. That, and not Marx' concept, is the miracle that creates a surplus of value.

In the next article I propose to show how it has been possible for savings to increase production as much as they have.

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Foreign Aid Fiasco

Charles Hull Wolfe

$115 billion worth of foreign aid has produced neither friends nor a genuine European prosperity — while it has placed American weapons in hands which may someday aim them at us.

LAST March 19, President Eisenhower formally asked Congress for $4,860,000,000 for the Mutual Security Program. This is a big figure, right on the face of it; but it looms even larger when you consider that this recommended foreign aid appropriation — virtually $5 billion — is almost twice the $2.7 billion for the current fiscal year.

If the President's request is approved, it will bring the total of American foreign aid since World War II to the fantastic sum of almost $55 billion. But even this mountain of dollars is dwarfed by the total we have doled out to other nations since 1940 — approximately $115 billion, averaging more than $2,000 per taxpaying family in the U. S. — money which these families otherwise might have used for better food, shelter, clothing, health, education, religion, savings, or anything else of their own free choice.

Nevertheless, this $115 billion sacrifice — or even two, three, or four times that much — might have been totally justified, had it been made voluntarily in the form of private gifts and investments — and especially if the money spent had been successful in guaranteeing American security in a conflict-torn world.

Pleas for More Aid

Since our foreign aid program has been going full blast for almost ten years now, it is quite possible to analyze not only its motives and methods but also its objectives, and — very important — to what extent they have been achieved.

Taking first things first, what has been the motive of Uncle Sam's giant give-away program? It is often portrayed as a Christian compassion for the "downtrodden" or "unfortunate" nations of the world — especially for our noble World War II allies. Such a portrayal appeals strongly to mil-

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lions of kind-hearted Americans and has been voiced by many proponents of foreign aid, including Secretary Marshall. On May 13, 1947, he declared in an overseas broadcast: "There has been much of misunderstanding regarding our program of aid to Greece. There has been much of distortion and misrepresentation of our purpose. We are answering the call of a valiant ally who has suffered much . . . It is as simple as that."

Inconsistent Pretense

But only two months before, on March 12, President Truman, in urging the Greek loan, had rested his appeal frankly on the argument that "the very existence of the Greek state" was being "threatened by the terrorist activities of several thousand armed men, led by communists."

Thus, according to President Truman, the real objective was to "buy" allies in our struggle against Soviet communism. Explaining the purpose of our foreign aid in 1951, Assistant Secretary of State George C. McGhee frankly asserted his opinion that: "The United States cannot afford to allow the forces of neutralism and anti-Western sentiment to gain any further ground, nor to allow these forces to be captured and exploited by internal communism." And the objective in 1951 is precisely the objective in 1956, as countless recent official acts and statements testify.

It should be plain by now that the primary motive is by no means a compassionate concern for other nations. It should likewise be clear that the ultimate objective is not the economic recovery of war-ravished Europe nor the industrialization of impoverished Asia — as is often alleged — but one thing only: the gaining of anticommunist allies.

A Test of U. S. Motives

Anyone who entertains a lingering doubt about this should ask himself: Why were U.S. officials so perturbed when Russia offered to pay for the monster dam at Aswan on the Upper Nile? Would not this have greatly helped the Egyptians, and saved millions of American dollars for other worthy foreign aid projects?

Or, why were State Department spokesmen so agitated this past winter when Khrushchev and Bulganin toured Asia with big promises of Russian aid? Surely, if concern for vitalizing the stagnant Asian economy had been uppermost, then our government should have said: "Wonderful! Now the Soviets are joining us in the great task of lifting the Asians out of

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poverty!" But no, Washington was frightened, and considered this Russian overture as reason number one for hiking our 1956 foreign aid appropriation to the staggering total of $5 billion dollars.

Having observed this technique for gaining allies, we must ask: Do we think it in keeping with the principles on which this country was founded to stoop to the crude stratagem of "buying" friends? Is there anything in all Judeo-Christian tradition which would even remotely sanction the attempt to gain friendship by crossing a palm with silver?

Bribery and Blackmail

The only principled way to win a friend — whether person or nation — is to take a sincere interest in his well-being, apart from any immediate gain for oneself. Attempting to "buy" national friends is, by definition, sheer bribery — a gift bestowed with the purpose of influencing action in favor of the donor. And it leads, almost inevitably, to blackmail. The bribed nation is tempted to say: "Give me more, or I'll switch to the other side." And whether or not a recipient country attempts blackmail, it is apt to feel a deep-seated suspicion and resentment.

Senator Mike Mansfield, back from an extensive trip in Southeast Asia, declared last February in the Senate:

> The argument which is often made to the effect that we must outbid the Russians in offers of aid to Southeast Asia reflects very little credit on us or on the nations of that area . . . The decent, the self-respecting, the independent in Southeast Asia will resent the implication that they can be bought.

That this is no mere platitude is abundantly verified by current history — and it applies to Europe as well as Asia. Recent events point to the harsh and stunning fact that *foreign aid simply has not worked!* Again and again, the record indicates that American dollars have been singularly ineffective in winning friends for the competitive market system and for the people of the United States. Consider some instances:

France. Since the end of World War II, we have given approximately $12 billion in aid, economic and military, to France — more than to any other nation except England. But French resentment of the U.S. is unmistakable. So is the growing French response to communism — displayed in the recent National Elections when over five million Frenchmen voted communist, seating 150 communists in the French assembly.

This winter, when an American

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reporter asked 25 French citizens what they thought of the give-away program, nearly all said it made no difference to them; they didn't get any of it. Some remarked, "It made billionaires out of French millionaires."

Greece. Henry Gemmill, reporting from Athens in the *Wall Street Journal* of January 26, 1956, wrote: "Today the sentiment of the populace toward the U.S. government ranges from mild exasperation to violent opposition . . . Politicians such as Progressive Party leader Spyridon Markenzinis are making speeches depicting the Greek government as a toy in the hands of 'our great friends.' University students have marched through the streets shouting, 'Out with the Americans . . . .'"

This anti-American attitude revealed its intensity last February, when one out of every two Greek voters cast his ballot for the communist-backed "popular front." That's how much friendship the U. S. got for the $2.8 billion it had poured into Greece.

Italy. Even stanch advocates of foreign aid concede that communism remains a potent force in Italy. And this, despite American billions, teamed up with an utterly earnest, all-out fight for survival waged by the Catholic church in its home territory — a struggle in which priests delivered anti-communist talks from soap boxes, and even derobed and turned cloak-and-dagger men, joining Italian communist cells in order to undermine them.

Still the Red lure persists, and repeated reports — as for example, from southern Italy where huge sums have been spent for development — have shown more persons becoming communists than anticommunists.

Yugoslavia. Looking back a few years, we can remind ourselves that the Yugoslavian government exuded no noticeable gratitude in return for the millions of dollars of supplies poured into that country by UNRRA. More recently, since 1950, Yugoslavia has received from us some $500,000,000 in economic aid, and about the same in military aid. And yet Yugoslav officials openly declare they have no intention that our aid should help curtail their admittedly communistic regime.

Egypt. Since the start of our program in 1951, the United States has spent some $60,000,000 in economic and technical aid to the land of the Pharaohs. Yet relatively few Egyptians are aware of the American dollars circulating in their land. Meanwhile, Egypt has turned to the Soviet

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bloc to make cotton-for-arms barter deals, and Premier Nasser has fiercely opposed any Arab state's joining a Western defense alliance.

England. Here is where we have doled out more billions than anywhere else. Yet from the start of our aid-to-Britain campaign, many there have viewed us as a scheming Shylock overeager for his pound of flesh. Typical was this observation from the dignified *London Economist,* after the special postwar British loan of $3,750,000,000: "If the purpose of the American Congress which decides American policy is, as it often seems to be, deliberately to wound and afflict the British people, it has certainly succeeded. It is aggravating to find that our reward for losing a quarter of our national wealth in the common cause is to pay tribute for half a century to those who have been enriched by the war."

More examples could be cited. These should suffice. The record is abundant with proof: *Dollars simply do not buy friends.*

European Recovery

"But," a proponent of foreign aid may argue, "our aid has brought European economic recovery, and now it will help build up the backward countries of Asia and the Middle East; and this is the surest way to stave off communism."

While there is some question as to just how much Europe *has* recovered, and how much is due to dollar aid, this argument remains the big weapon in the arsenal of those favoring more foreign spending.

If the primary goal in Western Europe had been speeding her economic recovery, rather than wooing her with dollars, the first step might have been to analyze just why her postwar recuperation had been so slow. Henry Hazlitt makes such an analysis in *Will Dollars Save the World?* With clear reasoning and detailed documentation he shows that what Europe needed most was not capital but capitalism — more freedom from both internal and external interference with the market operation.

Why was it, at the start of the Marshall Plan, that European countries appeared to need U. S. dollars so urgently? Because, ordinarily, heavy sums were being spent on armaments, on subsidies to nationalized industries running a deficit, on food subsidies, and on increasing pensions, family allowances, and other forms of social security.

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Inflationary Policies

Rather than cut back on some of these government expenditures, which fiscal soundness would have required, they issued more currency; and the volume of money in circulation rose enormously. At the same time, these governments tended to hold down interest rates, so they could borrow cheaper and encourage business borrowing — a policy which further increased pressure for higher prices.

Yet, though these governments themselves had created the inflation, they refused to take the blame for the accompanying price rises, but instead charged it to "speculators" and "hoarders" and to the rapacity of producers and sellers.

Rather than check the inflation itself, they determined to hold prices under control by fixing ceiling prices on almost everything. This, in turn, threw their economies out of kilter. As is ordinarily the practice in price regulation, they put the severest controls on *necessities* — and cut the profit margin on such items down to the bone. Since manufacturers could make so little profit making necessities, more and more turned to production of luxuries, which were uncontrolled.

In turn, more and more workers were drawn from the necessity to the luxury industries. The result? An apparent labor shortage, and even worse, a scarcity of necessities — food, shelter, clothing. Without going any further, it is plain that such a situation spells *Trouble.*

Under such a circumstance, we could have done far more for these European countries by showing them the errors of their regulated economies, and instructing them in the merits of the free market, than by shoving American dollars into their pockets.

German Recovery

During the first few years after the war, West German recovery was comparatively protracted. In 1947 millions of Germans were starving. As the late Dr. Walter Eucken, professor of economics at Freiburg University and heir to the German liberal tradition, observed in 1947:

> Germany today is suffering acutely from an overdose of planning. The Nazis laid the basis for German economic planning — for armaments and warfare. To our surprise the Allies left things largely as they were . . . .

But Germany had come to the end of the socialist trail, and increasing numbers began to feel that at least a slight return toward capitalist incentives might increase production. Then the

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Marxian-oriented Social Democratic Party was routed by a new political combine under Konrad Adenauer, which opposed the Fair Deal controls enforced by the American, British, and French military governments. Germany started to edge a little toward a free economy, gradually taking controls off more and more commodities. The result was startling. German productivity lunged forward.

Upsurge in Production

Even a small dose of *Markwirtschaft* (the market economy) had a pronounced effect. By 1953 West Germany's industrial production, on a per capita basis, was above the level of 1938, when the economy was operating under a full head of steam in preparation for war.

Meanwhile, East Germany, by comparison, remains in pathetic poverty. What has caused the difference? It is true that West Germany did receive generous aid in U. S. dollars. But more than one competent observer has concluded that West Germany's heartening resurgence has been due not so much to an influx of free U. S. commodities as to the Germans' own hard work and a sounder policy — a noticeable movement toward *Markwirtschaft*. A more complete adoption of the free market would have produced even more abundance, and could have generated far more prosperity than the shot-in-the-arm dollar aid.

But, even though Germany still clings to a considerable measure of socialism, it enjoys more market freedom — and hence more productivity — than most other European nations.

What about Military Aid?

Still, foreign aid advocates may say, "You talk as if all our aid were *economic*, while much of it is military — arms shipped to our allies as a deterrent to Soviet aggression."

True, much of our help has been military. And it is probable that substantial amounts designated for economic use actually have served to buttress foreign military establishments. Even if we did not ship a single gun or plane, but only money or food — and even if we specified that these gifts be used only for nonmilitary purposes — every American dollar spent for economic recovery simply frees the equivalent in local currency for some "marginal use," such as building a military organization.

But inasmuch as our total economic-military aid program has

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been so ineffective in winning allies, what assurance have we that these guns won't someday be pointed at *us*? The weapons themselves are neutral. If we have failed ideologically, failed to win friendship — and there are indications we have — then these weapons may eventually explode right in our own faces.

Three Conclusions

So, in evaluating almost ten years of U. S. aid to Europe, we find:

(1) It has not produced any noticeable goodwill or loyalty for America.

(2) European recovery is highly uneven, and is most marked in West Germany where a move toward a freer economy caused an outstanding upsurge in production.

(3) There is no guarantee that U. S. military aid will not be used against, rather than for us.

Considering this record of dubious achievement, it is hard to understand the unrestrained enthusiasm some apparently well-informed Americans entertain for our foreign aid program — an enthusiasm which prompts them to say, in the spring of 1956: "U. S. dollars have done such a good job in Europe, now let's *really* pour them into Asia!"

Aid for India

But I say, the vast U. S. tax-away-and-give-away program has flopped in Europe, and what reason have we to believe it will click in Asia and the Mid-East? After all, we are not newcomers in India, and what has our record been there? Since 1950 we have dumped some $500 million in India's copious lap, only to see her sympathies turn more and more toward the Kremlin, while her newspapers either take American gifts for granted or ignore them altogether. Meanwhile, this past winter and spring Russia finally has come to India's aid, offering actual business deals — loans not gifts — and in the process is winning friends.

Some Indians are perceptive enough to urge their government not to accept any more U. S. dollars. This past winter, J. J. Singh, president of the India League of America, asked India to refuse further aid from the United States. He said: "This creates expectancies in the U. S. which India is rightly not willing to meet. That, in its turn, creates disappointment and bitterness in America, thus worsening relations."

Before we brashly promise the Asians that our dollars will bring a vital productivity to lands steeped in centuries-old traditions

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which fight individual initiative and free enterprise, we should consider carefully the reasons for Asian poverty.

India seems destined to receive many American billions in coming years. Presumably proponents of dollar aid to India believe it needs American capital, and that this capital must be bestowed through the instrument of the U. S. government. But, according to Dr. Ludwig von Mises:

> India lacks capital because it never adopted the pro-capitalist philosophy of the West and therefore did not remove the traditional institutional obstacles to free enterprise and big-scale capital accumulation. Capitalism came to India as an alien imported ideology that never took root in the minds of the people. Foreign, mostly British, capital built railroads and factories. The natives looked askance not only upon the activities of their alien capitalists but no less upon those of their countrymen who cooperated in the capitalist ventures.
>
> Today the situation is this: Thanks to new methods of therapeutics, developed by the capitalist nations and imported to India by the British, the average length of life has been prolonged and the population is rapidly increasing. As the foreign capitalists have either already been virtually expropriated or have to face expropriation in the near future, there can no longer be any question of new investment of foreign capital. On the other hand the accumulation of domestic capital is prevented by the manifest hostility of the government apparatus and the ruling party.

This was true in 1952 when Dr. Mises wrote it, and even more so in 1956. Throughout these four years India has turned increasingly socialist — nationalizing industries, controlling private companies with an intricate maze of regulations, allowing the State to confiscate private property, and enacting labor laws which make it extremely difficult to fire anyone, no matter how incompetent.

All these restrictions discourage both native and foreign industry and investment, and create the very poverty which India seeks to eradicate. As long as India continues her ill-advised march toward socialism, no amount of American billions can bring her prosperity. Our dollars will only serve temporarily to camouflage her mistake, and delay the hour when India must awaken to the free market ideas which alone can eliminate her vast army of unemployed and greatly increase the productivity of individual Hindu and Moslem.

Why Not Try Voluntarism?

Why, then, extend further foreign aid? Additional billions will fail to accomplish their purpose. More than that, the whole concept — the idea that one nation must

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tax its citizenry and pour the booty into the coffers of less prosperous countries — is statist and socialist, utterly contrary to the ideals of a free society.

No government — the United States or any other — should be allowed to take the property of individuals by force, and hand out such savings to the governments or the peoples of other nations. Such an action is dictatorial and authoritarian.

The individual alone should decide whether he wants to give or lend his property to other individuals in other countries. This voluntary system of international exchange proved potent when tried — it helped to build America and other great nations as well. At this day and hour, a return to the practice of voluntary individual giving, lending, and trading would not be retrogression, but dynamic and urgently-needed progress.

Turning the Tables

NOT LONG AGO, Congressman Ralph W. Gwinn of New York appeared on a television round table program with M. Foure, the French Foreign Minister, and Congressman James G. Donovan of New York.

As one explanation of his opposition to foreign aid, Gwinn cited how the United States, over the past few years, had given billions to England for the express purpose of helping the British Conservative Party stay in power. Then he asked his listeners to use their imagination and conceive what their own reaction would be if the tables had been turned — if, for example, instead of the United States sending billions to Britain as a means of influencing the English political scene, Britain had been exporting equivalent sums in order to shape our own political destiny. Congressman Gwinn said:

"Imagine how mad we nearly all would be if Great Britain had for years sent $3 billion or $4 billion to help entrench Harry Truman and the New Deal Party in power, and keep the Republicans out. The Republicans would have been hopping mad and, while the New Deal Party would no doubt have taken the money and said nice things about Great Britain for foreign consumption, it would have been furious that Great Britain would presume to be able to buy New Deal friendship."

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The Case for Religious Schools

August W. Brustat

THE EARLY SETTLERS came to these shores impelled by the strong desire to worship God in their own way. Our institutions were forged by a people who put their religion at the center of life's concerns. Our history was shaped by the religious convictions which prevailed in these states. If a contrary system of beliefs and values had guided our forebears, American history would be quite different; and this would be a different country today. Thus, if we would preserve our institutions and further their development we cannot neglect the role of religion. We must make room for religion in our system of education.

H. G. Wells would not see eye to eye with me on religion; but he said, "Education is the preparation of the individual for society, but his religious training is the core of that preparation." And Charles W. Eliot, when he was president of Harvard, declared, "Exclude religion from education and you have no foundation upon which to build character." As a matter of fact, when you come right down to it, there is no way to exclude religious instruction from education; there is only the choice of one kind of religion or another. One can plan a curriculum which includes instruction on the God concept, the moral law, the Bible, prayer, the spiritual life. Instruction along these lines would accord with the common understanding of what is meant by religion. But if each of these things is rigidly excluded from the curriculum, the result is to inculcate habits of thought and attitudes which constitute a denial of religion harder to cope with than an outright atheism.

For one reason or another, an outspoken religious program can hardly be carried out in the government school system. With a mixture of children from different backgrounds and from homes adhering to various and varied religious tenets, serious complications might easily develop if religion in any form were brought into the classroom. Nor will such programs as Released Time or any other part-time agency of religious instruction solve the problem. An

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unbalanced educational program which emphasizes the purely secular five hours a day and five days a week, and fits into this schedule one, or at the most, two hours of religious instruction, gives the child the erroneous impression that religion is a relatively unimportant thing which may be relegated to the background of life.

Unless the serious study of religion is integrated with other studies and given a status at least equal to other parts of the curriculum, youth will be inclined to look at the world as though God were not both in it and beyond it as its Creator and Sustainer. The gap in our educational system is a challenge to our churches. They can meet this challenge by establishing their own schools.

That this is not a new concept, I readily admit. The parochial or church school is not making its debut at this time. In fact, the church schools in America antedate the government school systems by over two hundred years. The first government school was organized in Dorchester, Massachusetts, as recently as 1839, although the Church and its schools had received tax support since early Colonial days. Prior to 1839 all education on the elementary, secondary, collegiate, and postgraduate levels was in the hands of the Church. Through all the previous decades of our history education was the distinctive prerogative of the Church. Our original great American universities were all founded by the Church. Harvard, Yale, Princeton, Columbia, William and Mary, Syracuse, to mention just a few, were founded and administered by religious denominations. As late as 1860 there were 246 colleges and universities in America, of which all but 17 were under the auspices of the Church. In many respects these were the years of America's real greatness, the years when our forefathers laid the solid, godly foundations of our American Republic.

No doubt the fact that for three generations now, the government schools through taxation have been able to erect palatial buildings and equip them with everything that educators believe essential, has given present-day Americans the false impression that the government school has always existed. But such is not at all the case.

HERE THE QUESTION may be posed: Since the Church once had a virtual monopoly on education, why was it relinquished? How did the government school system gradually gain such prestige and

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power as almost to eliminate the church schools and other private educational institutions?

We would offer several suggestions. There was, first, the gradual development of secularism in our society. Secularism may be defined as the resolute exclusion of God and religion from daily life. It is the deliberate effort to live life apart from God. Men's minds were increasingly enamored of and devoted to "things." Materialism was fashionable.

Modern inventions and discoveries brought the industrial-mechanical age to America. As a consequence, wealth increased. This was a danger signal; for when wealth increases while God is relegated to the background of life, a moral and spiritual flabbiness ensues. In his "The Deserted Village," Oliver Goldsmith expresses it succinctly in these words:

> Ill fares the land, to hastening ills a prey,
> Where wealth accumulates, and men decay.

The humble "little red schoolhouses" which the Church could afford to maintain for a circumscribed segment of the population, the children of the parish, seemed hopelessly inadequate when compared to the palaces of learning which taxation could erect. But education is by no means the automatic result of elaborate buildings and equipment.

By the turn of the twentieth century, when government schools had all but completely routed private church schools, there was a confident faith that, at long last, man had reached the Golden Age; that all wars, all national problems, and all international tensions were definitely terminated. Had not the Carnegie Foundation for Peace succeeded in outlawing war forever? So man proposes; but he fails to reckon on the fact that God finally disposes. Man forgot that "the mills of God grind slowly, yet they grind exceeding small." World War I served to shatter some illusions, the great world-depression which followed humbled us still more, and World War II convinced many that a world which had outlawed God was in danger of destroying itself.

And so the last two decades have seen a recrudescence of church schools — Protestant, Catholic, and Jewish — in which America's youth is again being taught that God is, and that He holds man morally responsible for his life and actions. However, only a start has been made. Estimates indicate that between 17,000,000 and 20,000,000 American children still receive no formal religious education whatsoever.

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This plea for church schools is not intended to suggest that any pressure be brought on parents to seek religious instruction for their children. Parents have the inherent right to choose whatever schools they desire for their offspring. This is a plea that they be allowed to choose freely, according to their own judgment and sense of values, and that those who choose religious instruction be not penalized for their choice.

FROM A PRACTICAL viewpoint it is poor stewardship to keep churches closed all week except Sunday for Sunday services and to keep its educational facilities unused all week except for a few random meetings. A weekday church school makes a fuller use of these facilities and has the added value that children daily beat a path to the doors of an institution that counts on God.

Private or church schools have produced outstanding leaders in every field of endeavor. Arthur E. Traxler, Executive Director of the Educational Records Bureau, wrote: "Although in recent years not more than one boy in one hundred has been educated in the private schools of the United States, those schools have . . . educated approximately as many leaders as all the public schools combined."

It may be in order to call attention to the fact that when the Constitution was adopted in 1789, it made no provision for a national system of education. Our Founding Fathers recognized that parents are primarily responsible for the education of their children and alone have the God-given authority to delegate that responsibility to others, whether in the Church or the State. To delegate a right is not to abandon it. The school, whether secular or religious, is only a branch of the home and should be guided by it. Our present-day educational demagogues might well bear this fact in mind.

Today's socialistic, One World-minded philosophers — among them those who are at present agitating for federal aid to education, which would eventually lead to federal control of education — would turn it over to Society or the State. Herbert Spencer noted this trend already in his day and spoke out against it in these words: "Agitators and legislators have united in spreading a theory which . . . ends in the monstrous conclusion that it is for parents to beget children and for the State to take care of them." Recently a communist source bluntly voiced this pseudo-liberal concept in these words: "Society possesses an original and fundamental right in

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the education of children. We must accordingly reject without compromise . . . the claim of parents to impart through family education their narrow views to the minds of their offspring." With this we must violently and vehemently disagree.

Marxists and Fabian Socialists exile God from His heaven and would rob religious parents of their inalienable right to educate their children as they want them educated. They would consequently make of man a puppet of the ruling regime, a cog in the economic machinery of the commonwealth, a soulless automaton bowing to the dictatorial will.

By all means, our system of instruction should meet the exacting task of scholarship in science, history, literature, and in every other field. But without neglecting these areas it should do more. It is important to know how the universe works, but it is of infinitely greater importance to have an awareness of the God who makes it work. It is important to know the physical sciences, but much more important to know the Deity that put them into operation. It is important to know astronomy, but it is much more important to know Him who places the stars in all their glittering glory in the infinite meadowlands of heaven. It is important to wrest the secrets of God from the earth, but much more importont to know Him who reveals to us the secret of man's pathway to God.

These objectives can best be accomplished through the agency of the church or parochial school where, in addition to the so-called three R's, is also taught the vital fourth R — Religion.

IF YOU WOULD HAND ON spirit and life, you must be wall and gate in one, on guard, but still open. You must defend the integrity of your own person while constantly seeking communication with others.

The stone language of the Porta Nigra as interpreted by the Henry Regnery Company.

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Is There Really a Doctor Shortage?

. . . and if so, could federal funds cure it?

Gordon B. Leitch, M.D.

HOW DO WE get our doctors? Is there a competitive, free market, ideal method of obtaining a supply of doctors in proper ratio to population or demand for medical services? Does the traditional or Hippocratic method approach this ideal? Is it true that we have, or are likely to have in the imminent future, a shortage of medical doctors? If this is so, is there any assurance that any governmental measures thrown into the breach can prevent or correct the situation?

The cry of doctor shortage has been heard for years, but its political origin tended to discount it. Recently, however, such a staid and respected publication as the *New England Journal of Medicine* observed that medical educators are expressing concern over the decline in number of suitable applicants for medical training, and intimated that some medical schools are already experiencing difficulty filling their classes with suitably qualified students.

Claims of an actual or impending doctor shortage raised by medical educators, and supported by federal politicians anxious to apply the spending treatment at the slightest suggestion of symptoms, would carry more weight if also supported by another party of interest in the matter, the physician in the field who actually delivers our medical care. To date, his voice has been strangely silent. Is he too busy practicing medicine to know there is a doctor shortage? Or is there a doctor shortage? What are the facts?

One test of a doctor shortage would be to poll the patients. Actually, there is a market process whereby supply and demand (as distinct from clamor) work toward a balance. But the opinions

Dr. Leitch, a physician and surgeon, is a member of the editorial staff of "Northwest Medicine" and an active opponent of socialized medicine.

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of patients will vary. If one has experienced no trouble whatsoever securing the services of a physician, it is difficult for that person to believe a doctor shortage is present or in the offing. But if one has had difficulty obtaining a doctor, perhaps to come to one's home or at night, no amount of official figures, pronouncements, explanations, or arguments from any source is likely to persuade him that there is not a grave and immediate shortage.

The record shows that current allegations of a doctor shortage trace back to the sound and the fury of the efforts to build what was deceptively termed national compulsory health insurance into increased political power.

FOR STATISTICAL EVIDENCE of a doctor shortage, one may look to sources which supposedly are better advised than the doctors and patients directly concerned. This is likely to be a governmental source. Usually cited are figures developed by the Truman-appointed "Commission on the Nation's Health," which many physicians hold was not exactly unbiased. Others occasionally quoted are those given by a chairman of the Health Resources Advisory Committee of the National Security Resources Board.

Statistics from the former source indicate that there "might" be a shortage of 22,000 to 45,000 doctors by 1960. Those from the latter source foresee an "estimated" possible doctor shortage of 20,000 before 1960. The hedging represented by careful use of the qualifying "might," "estimated," "possible," and the generous flexibility of the figures, clearly indictate there is no precision in them. At best they are only politically flavored guesses.

A different authority, Frank J. Dickinson, chief of the Bureau of Medical Research of the American Medical Association, whose business it is to know what is happening to physicians, concludes differently. Says Dr. Dickinson: "There is *no shortage of doctors now*, and by 1960 there probably will be a *surplus*!" (Emphasis added.)

Which is correct? Oddly, both could be. A clue to this seeming paradox lies in the definition and use of the word doctor.

The politicians make their guesstimates in terms of medical school graduates, persons holding the degree of Doctor of Medicine.

There is no question of the existence of a demand for the services of those holding a medical degree. Nor is there any question that the demand will continue as

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long as there is expanding bureaucratic activity in commercial or governmental matters concerned with health or medical care. But the demand is for persons to accept positions as employees, technicians, etc., in various governmental or commercial segments of our economy having some connection with health matters. What is meant by "doctor" is not a practicing physician, but one whose medical training is sought in industry or government to discharge duties which in many instances could be equally well or better discharged by nonmedical personnel. Immediate or early financial return on one's medical education is the great lure.

On the other hand, Dickinson clearly refers to practicing physicians. His analysis is based on market areas and reveals some unusual data. One-sixth of the land of the United States lies outside a 25-mile radius of the nearest physician. But only 0.16 per cent (1/6 of 1 per cent) of the population resides beyond this 25-mile radius.

He further states that the output of medical care per doctor, due to such things as automobiles, improved roads and communications, increased medical knowledge and wonder drugs, has markedly increased in recent years. This increased output per doctor more than offsets what may appear to be a physician shortage based on geography.

That many communities do not have doctors cannot be denied. More often than not, this is a matter of basic economics linked with scanty population and applies equally well to lawyers, bakers, jewelers, automobile salesmen, butchers, and undertakers.

There is a single county in Oregon, for instance, which has an area greater than either New Jersey or Vermont, yet can muster only three physicians in the entire county! The reason? The county consists of large stock ranches and there are more cattle and jack rabbits than humans. The chief marketing center of the region, however, is a few miles over the line in the next county; here there are twenty-four well-trained, competent doctors, and a well-equipped modern hospital, capable of catering to all the medical needs of the region. Thus while absence or scarcity of physicians in a specific locality can be presented as a major defect when expressed in geographic terms, the defect vanishes when stated in terms of supply and demand in the market.

There is, however, a true shortage of physicians on which all can

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agree, a shortage evident when expressed in terms of certain racial minorities. This is a need or desire which medical colleges find it difficult to meet for reasons which go to the very heart of the system which supplies our doctors. There is simply a dearth of candidates from the minorities involved, with suitable scholastic attainments. And scholastic stature is an integral, major part of what it takes to become a doctor capable of furnishing the high quality medical care which is the present fortunate lot of North Americans, regardless of all other considerations.

WHAT IS THIS SYSTEM whence come our doctors, the system in which scholastic ability ranks so highly? Its comprehensive nature precludes detailed consideration here, but presentation of some aspects bearing on the supply of physicians is pertinent.

The title "doctor" actually means "teacher," and essentially it is the traditional or Hippocratic system. From the days of the apprentice learning from a priest in an ancient temple courtyard, to the resident assisting at a major operation in today's modern hospital, physicians have held and accepted responsibility for teaching their successors. And they still do, in spite of some efforts to have it otherwise. The traditional nature of the system may be somewhat obscured by the presence of such things as medical school admission standards, medical practice licensure requirements, and delegation of some teaching responsibility to medical educators.

Any mingling of governmental and libertarian forces in today's world is open to suspicion on the face of it. But any impression that doctors comprising state medical licensing boards, because of deriving their authority from state law, are in cahoots with politicians to entrench physicians in the practice of medicine against cult and undesirable physician competitors, while patients and the public get the short end of the deal, is simply not true.

The record is quite clear that those comprising these quasi-judicial boards are concerned with one thing, and one thing only: *protection of the public* against incompetent and unscrupulous practitioners of the healing arts by establishing and maintaining *minimum* standards or qualifications for those who wish to practice medicine.

Any statistician or director of a prepaid medical care plan can substantiate that much more im-

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portant factors affect the medical care market. These are the general aging of the population, with the greater prevalence of the degenerative diseases, the tendency to seek out medical care because "we've paid for it anyway," and the increasing scientific and technical perfection of our diagnostic procedures. Many of these require most elaborate and expensive equipment of great complexity to furnish dependable results. Herein lies the great unprobed medical problem of the future, but even so it is most likely to be *technicians* and skilled artisans, rather than physicians, who will be most affected.

THAT THERE IS TROUBLE in the Hippocratic system which produces our doctors must be evident to anyone who intelligently examines it. But no system of training doctors has been found superior to that of one generation of physicians passing its knowledge and skill to its successors; the difficulties are those of execution rather than fundamental conception. Most expressions of concern relative to the system are heard from professional educators and politicians, rather than from practicing physicians and their customers. The system, of course, does not preclude tampering. And there is ample evidence that it has been and is being tampered with by both politicians and educators, separately and together.

Educational confusion plagues the system because of the fact that in the modern scheme of things physicians have delegated much of their Hippocratic responsibility for teaching successors to professional educators, both academic and medical. But increasing numbers of these educators fail to understand or appreciate the meaning of the word *delegate*. Instead of concentrating on teaching, they are busily engaged in medical empire building extending their influence and control over as wide an expanse of medical practice and related activities as they can encompass. The story of captive hospitals and institutional aggrandizement in the collectivist manner, while pertinent, is a story in its own right, much too lengthy for inclusion here.

The greatest immediate confusion and danger, however, stems from the doctrine fostered by politicians that intervention by the federal government, directly or through grants in aid, can somehow or other cure all the ills of medical education, and hence of medicine. In spite of the widely demonstrated fact that intrusion of government into any private

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venture more often aggravates than corrects the presumed shortcomings of private enterprise, the same old vote-charming snake oil is being peddled by the proprietors of the federal medicine show.

In the make-up of each doctor, and therefore in the aggregate of the entire medical profession producing and delivering today's high quality medical care, three attributes are essential, the three priceless ingredients.

A candidate for the medical degree must have the *desire and will* to be a physician above all else. He must have the scholastic and other *ability* to enable him to become a doctor. And he must possess *character* in its finest sense.

Can government legislate or order character into individuals who lack it?

Can government decree or legislate that individuals must *like* the practice of medicine above all else?

Can government by the expenditure of funds or by passing a law create the ability it requires to be a doctor where this is nonexistent?

Since answers to all these are in the negative, it is obvious that there must be considerable truth in the plaint of the *New England Journal of Medicine* that medical schools find a decline in the number of suitable applicants for admission.

Since legislative and other government intrusions are notoriously ineffective and helpless when facing certain characteristics of human nature, it is also obvious that the fascination of the federal authorities with medical education is only incidentally concerned with medicine. Whether those in the political apparatus recognize it or not, their efforts amount to a bid for political power.

EXPERIENCE SHOULD TEACH US to be most on our guard to protect liberty when the government's purposes are beneficent. Men born to freedom are naturally alert to repel invasion of their liberty by evil-minded rulers. The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning, but without understanding.

MR. JUSTICE BRANDEIS
Dissenting in Olmstead v. United States, 277 U. S. 438 (1928)

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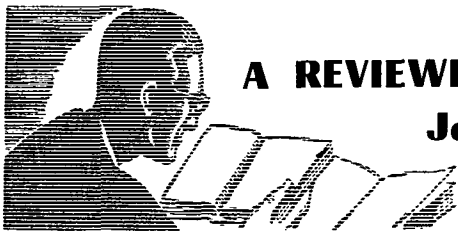

A REVIEWER'S NOTEBOOK

John Chamberlain

THE LATE Russell Davenport was an exciting personality. His *The Dignity of Man* (New York: Harper. 338 pp. $4.00) asks all the right questions even when it fumbles in darkness for the answers.

An individualist, Davenport went against the grain of his times from his college days to the very hour of his all-too-early death. When practically every other "intellectual" in America was busy following collectivist will-o'-the-wisps, Davenport was pioneering a romantic type of corporation story for *Fortune Magazine*. He saw meaningful conflict and drama in business where the emergent New Dealers who surrounded him saw only skulduggery. Both the romance of technology and the romance of what men were doing to transform technology into leisure and plenty had a great appeal for him. During the whole latter part of the thirties he conducted an exciting warfare in *Fortune* editorials that contested the idea that business should be kept in the leading strings provided by leftist "due process of administration." Let business be free to go to work, he said.

Davenport, however, was never willing to rest on a simple philosophical assumption. At the very moment when the tide was turning in his direction he was off on another tangent. He wanted to get back of the phrases used by the Founding Fathers — the language that talked of "natural rights," of the "inalienable" right to life, liberty, property, and the pursuit of happiness — to something that would "prove" the case for natural rights in a mystic sense. It was not enough for him that freedom is a *felt* necessity of man, or that rights can be deduced from a comparative study of the great and the shallow epochs of history, or from an empirical investigation of the requirements of creativity. Nor was it enough for him that rights are inherent in a political application of the Golden Rule.

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The refusal to rest either on a simple assumption or on the empirical evidence of history makes Davenport's posthumously published *The Dignity of Man* both an exciting and a frustrating adventure in reading. The book is heavy with "intimations." It equates "freedom" with "brotherhood," which is a true equation only in the sense that freedom implies a respect for the freedom of others. But though Davenport throws many questions at the Sphinx without getting any satisfactory answers, the book comes out at the right place. After much cloudy argument the text winds up with a plea for the "social individual" who tries to solve his group problems by recourse to the principle of "voluntary association." Since this is where I would like to have seen Davenport really begin, I count it a crying shame that he did not live to carry on his work into a second volume.

MUCH OF *The Dignity of Man* is interesting prelude that will come as astounding revelation only to those who have not read Peter Drucker and others on the divergent courses of the French and the American revolutions, or Lecomte du Nouy or Alfred North Whitehead on the frustrations that come from treating science as an end, not as a means or a method. Between the "materialism" of the "scientific" West and the "dialectical" philosophy of the Marxists Davenport finds little difference on a practical plane. By pursuing material ends, by concentrating on man's outer life, the Western world has brought itself around to thinking that "engineering" can solve everything. If recalcitrant individuals get in the way of the "engineering" approach, why, then treat them as "eminent domain" is treated. Let the majority ride over the minority in the name of perfectibility on a material level. If arbitrary State action is necessary to achieve a material result, let the State suspend a whole category of rights that were once regarded as "inalienable."

Quite rightly, Davenport sees very little to choose between this sort of "engineering" approach and the approach of the communists, who use "liquidation" as a tool for their own "engineering." Communism simply pushes the materialist assumptions of the thing which Davenport calls "metascience" to their logical conclusions in murder (abrogation of the "right to life"), in the internal passport and the detention camp (suspension of the "right to liberty"), and in collective owner-

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ship (dismissal of the "right of property").

Since the West has succumbed to "metascience," to the idea that man is a blob of matter which can be pushed around in conformance to the laws of matter, it has had no real answer to the Marxist credo of dialectical materialism. But the profoundest instinct of the human being, as Davenport rightly observes, is to seek for qualitative meaning in his life. The quest for qualitative meaning necessarily implies freedom to stand out against the pretentions of the "social engineers," whether they are Marxist, Fabian, or New Deal in their separate manifestations.

Having arrived at this point, Davenport might have gone on to observe the profound spiritual validity of the eighteenth century view of natural rights which he has brought into question at the beginning of his work. For one cannot stand out against the "social engineering" type of mentality unless one has an "inalienable" right to life, liberty, and property. These rights are the necessary defenses against liquidation, the internal passport, the concentration camp, and so on. As for the "pursuit of happiness," how can happiness ever be pursued if the conditions of pursuit — life, liberty, and property — are called into question?

DAVENPORT'S failure to redeem the old concepts which once gave qualitative meaning to life in the West is the source of all that is disappointing in *The Dignity of Man.* It is by a semantic trick that Davenport bounces off into his equation of freedom with brotherhood. The word freedom, he says, "comes down to us from the old Aryan word *priyo* and the Sanskrit word *priya* — the root being *pri,* which means to delight, to endear. In old English this word became *freon,* meaning to love. 'Free' thus has the same root as 'friend.'" Ergo, says Davenport, freedom and brotherhood are virtually synonymous terms.

This is all very interesting, but man's quest for "delight" by no means leads every individual to a demand for love or friendship. There are other manifestations of the urge to be free. Men, says Davenport, "find other men and other women" when they look into their own inner world. Well, some of them do. But other men have other inner necessities, such as the need for self-perfection, or the need to be alone, or the need to be creative in a peculiarly personal idiom. In short, freedom must be equated with other things

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than brotherhood in a world of widely variant individuals. Davenport's definition of freedom is far too narrow to bear the weight of a philosophy that would really unseal the sources of creativity in the human race.

In spite of his semantic harikari, however, Davenport recognizes that man's humanity is bound up with "a spiritual entity" which is the source of his creative power. Creativity is the greatest of human mysteries; no one knows just what it is that causes an Einstein to make a jump to the conclusion that mass and energy are interchangeable phenomena or just what obscure internal workings push a Tolstoy to the rearrangement of history and observation that result in a *War and Peace*. All we can say is that creativity doesn't flourish under compulsion. This is something which Davenport was just bringing himself to explore when a heart attack cut his life short.

The preoccupation with creativity is uppermost in certain of the "Fragments" which are printed as an appendix to *The Dignity of Man*. The most exciting of the fragments is the one on the principle of voluntary association. Here Davenport touches upon the "organization of private groups for social purposes." He mentions such things as a cooperative self-help Quaker housing project in Philadelphia and the Scanlon Plan for cooperation in profit sharing between cost-conscious management and productivity-conscious labor. The fragment is only the merest indication of where a universal application of the principle of voluntary association might lead. But it gives a meaning to Davenport's book that is not always apparent in the more pretentious formal body of the work.

FROM MONROE TO ORWELL

A History of the Monroe Doctrine by DEXTER PERKINS. Boston: Little, Brown and Co. 469 pp. $5.00.

America's Rise to World Power, 1898-1954 by FOSTER RHEA DULLES. (The New American Nation Series) New York: Harper and Brothers. 314 pp. $5.00.

The basic international and diplomatic policy of the United States — which kept us out of disastrous foreign wars and other expensive entanglements abroad for over a hundred years — is usually assumed to date from Washington's Farewell Address of 1796. But it actually goes back a generation before this. It was clearly stated by John Adams in connection with the negotiations for French aid in 1776. Adams warned against making any alliance "which should

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entangle us in any future wars in Europe."

At the close of the Revolutionary War, the Congress, under the Articles of Confederation, stated our traditional policy of neutrality as well as it has ever been expounded: "The true interest of the States requires that they should be as little as possible entangled in the politics and controversies of European nations." This stand was formally invoked in President Washington's forthright Neutrality Proclamation of April 22, 1793, and reaffirmed in his famous Farewell Address of September 17, 1796, in which the cogent passages read:

> Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?
>
> It is our true policy to steer clear of permanent alliances with any portion of the foreign world . . . .
>
> Taking care always to keep ourselves by suitable establishments on a respectable defensive posture, we may safely trust to temporary alliances for extraordinary emergencies.

The same clear policy of neutrality and avoidance of foreign involvements was heartily echoed by Thomas Jefferson in his first inaugural address: "Peace, commerce and honest friendship with all nations — entangling alliances with none." But the statement of this neutrality policy which acquired the greatest fame and possessed the most enduring force as the cornerstone of our foreign relations was that set forth in the famous Monroe Doctrine of 1823:

> The citizens of the United States cherish sentiments the most friendly in favor of the liberty and happiness of their fellow-men on that [European] side of the Atlantic. In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparation for our defense.

Interventionists have sought to smear this historic American foreign policy with the term isolationism. "Peace, commerce and honest friendship with all nations" surely is and has been as much as "all nations" could reasonably demand of the United States. But the situation has become very different at our mid-century when even the most remote and petty foreign country demands, and usually receives, a liberal handout from our federal treasury and has an air or naval base or detachment of American troops on its shores.

Not only has our foreign policy been completely transformed but this change has equally revolutionized our domestic political system, in which party tenure and econ-

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omic "prosperity" are linked with cold and phony war, war scares, and the armament economy.

Two books by nationally known historians are devoted to the origins and development of the American foreign policy of neutrality, its abandonment, and the current contempt in which it is held both by the majority of American historians and by those who control American foreign policy, no matter which party occupies the White House.

Professor Dexter Perkins of the University of Rochester owes his reputation as an historian almost exclusively to his writings on the Monroe Doctrine. In 1927, he published his first volume on the subject, dealing with its origins. Two more volumes on its development from 1826 to 1907 followed, and in 1941 he condensed the three volumes into the present work, which has been reprinted several times. A revised version appeared late last year.

More than any other American historical scholar — more even than Charles Austin Beard, Edwin M. Borchard, or the present writer — Dexter Perkins would have seemed the logical person to assume the mantle of Leonidas or Horatius and stand four-square against the varied and numerous forces seeking to destroy the foreign policy which had given us so much peace, security, and prosperity, and for so long. Instead, he cites with approval a congenial historical mind who contends that "the American idea, of which Monroeism is an expression, is virtually outmoded," and goes on to state as his own opinion that: "Certainly it is true that the American continents cannot be treated today as the area of primary interest to the United States in the field of world affairs."

If Professor Perkins spurns the attitude of neutrality, to which he has devoted his lifework in tracing its origins and development and elucidating its happy and effective operation, he tells us little about the processes and events whereby we have moved from unabashed neutrality to intervention unlimited, cost what it may in men and money. This task is left to Professor Foster Rhea Dulles of Ohio State University in one of the early volumes of the *New American Nation Series* currently being published by Harper to supplant the distinguished collection of volumes edited a generation ago by Albert Bushnell Hart as the original *American Nation Series*.

Professor Dulles traces American foreign policy and the deeds which accompanied it, from the

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Spanish-American War to the close of the Korean War and the narrow escape from another "Korean" war or a third world war in Southeastern Asia. His book is an almost unrestrained rhapsody which traces the transition of American foreign policy and activities from neutrality to the most unlimited interference in world affairs in the whole record of the human race.

For example, Dulles' treatment of the events leading to Pearl Harbor takes little or no cognizance of the vast body of revisionist revelations which have completely revolutionized our knowledge of the nature of American entry into World War II and the responsibilities therewith connected. So far as the interpretation is concerned, the book might have been written on the Day of Infamy.

The volume by Professor Dulles is not only significant and illuminating in itself as to the dominant historical attitudes and methods of our day; it is, perhaps, even more revealing as a volume in the *Series* of which it is a part. The shadow of Orwell's "Ministry of Truth" hangs over all the accepted historical writing of our time which deals with recent world history.

It all mounts up to the fact that a whole generation of brainwashed high school and college students has already grown up virtually ignorant of the policies and events which so closely regiment their thinking and control their public and private life.

The trends and situation described above are intensely relevant to readers of THE FREEMAN, which fact constitutes the only justification for taking the space involved to present the foregoing material. Opponents of statism are all too prone to attribute the growth of state-activity in the United States to the impact of the imported Fabianism or Keynesian doctrine, the philosophy and policies of the New Deal, and the menace of communism. While it may be well to be alert to any and all needless challenges to personal freedom and business initiative, any defense against these is likely to be futile unless the main threat is plainly isolated, exposed, and confronted. Whatever the merits or defects of the New Deal, the statism which it promoted prior to rearmament and war was trivial compared to what now exists.

While the communists might work greater ravages than the interventionists have already wrought if they gained control of the country, that possibility is rel-

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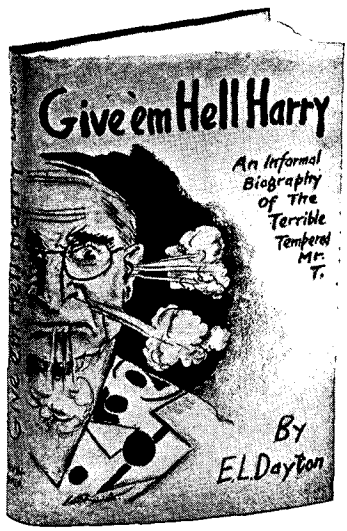
atively remote, whether through infiltration from within or attack from without. But the interventionists have already taken us over and have controlled the country for nearly two decades. What they have done is a matter of record, past and present, written large in the increase of militarism and government expenditures, the towering debt structure, the never-ending foreign commitments and outlays, and the increasing danger of another world war. HARRY ELMER BARNES

Must You Conform? by ROBERT LINDNER. New York: Rinehart. 210 pp. $3.00.

This is another blast of the Trumpet of Revolt. It comes from that "peculiar" called psychotherapy. I use the word "peculiar" in its precise medieval Canon Law meaning, as describing a "jurisdiction proper to itself." Psychotherapy, and indeed all physicianship, today is assuming the empty seat of mental authority, the throne of public conscience, left vacant when religion surrendered its freedom of "clerk's orders" and submitted to the State. And so psychoanalysts, because they have had the nerve to become keepers of private consciences and the very odd confidences of those consciences, can now go further, and from the cita-



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del of man's psyche — if not his spirit — counterblast at the bureaucratic bombardiers and invaders of our liberties. The psychotherapist is now speaking as a privileged expert who is concerned for the public health and the social sanity.

In a series of telling trumpetings, Dr. Lindner has called for an arrest of the impolite and indeed impolitic police state. He has demanded that the uncivil and sometimes even uncivilized civil service halt its incursions on the citizen's rights of privacy and has called on us to reassert our personal liberties. He can do this because he is prepared to show how the very coercions we impose in the name of order, or under the claim that we are *preventing* anarchy, are really *causing* anarchy. You do not prevent, you only amplify, a plague of thistles by flailing at the thistledown-laden heads. To change the simile, Dr. Lindner refuses to put cart before horse. If you want order, you can have it only if you permit the liberty of full growth. The author of *Must You Conform?* is a constructionist, an orthogeneticist. He wants a society of creative order and therefore writes under such provocative titles as *Prescription for Rebellion,* for he believes that men distorted by suppression and repression are the real danger to civilization.

Many of those who would not listen to a sound moralist or an expert economist will attend to one who has shown that he has some striking clues to human character, motivation, and amenability.

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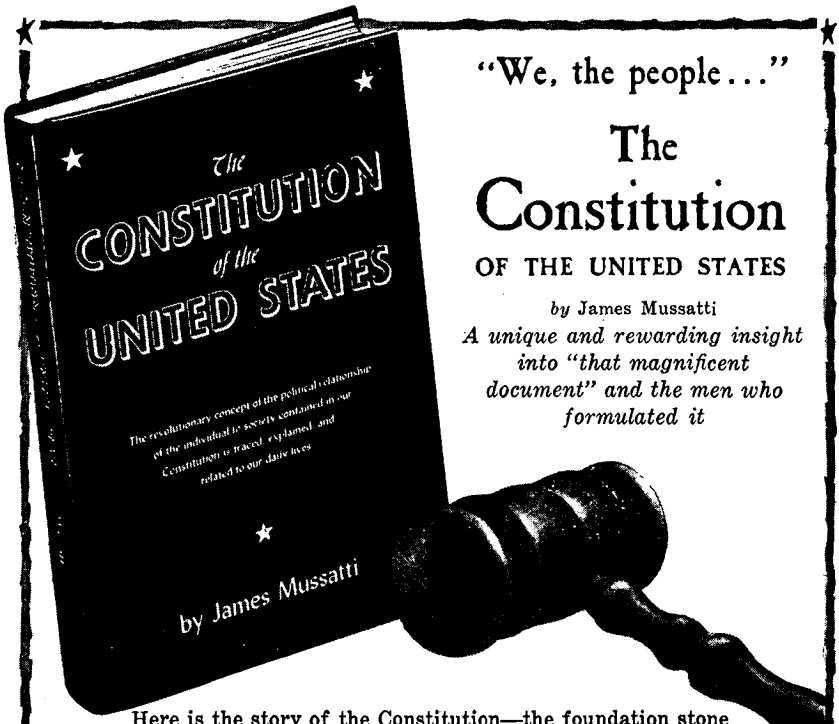
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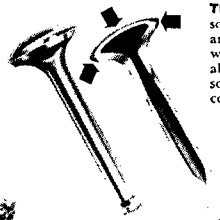

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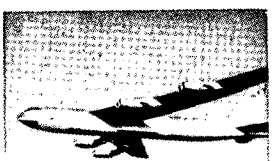

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